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**CITY OF MONROE SCHOOL BOARD  
MONROE, LOUISIANA**

**Financial Report  
As of and for the Year Ended June 30, 2013**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date APR 02 2014

CITY OF MONROE SCHOOL BOARD  
Monroe, LA

Financial Report  
For The Year Ended June 30, 2013

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# LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)  
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## INDEPENDENT AUDITOR'S REPORT

**City of Monroe School Board  
Monroe, Louisiana**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **City of Monroe School Board** (the School Board) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 7 - 14), the budgetary comparison information (pages 59 - 61), the schedule of employer contributions-other post-employment benefits (page 63) and the schedule of funding progress-other post-employment benefits (page 63) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board's basic financial statements. The accompanying information listed as other supplemental information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information and the schedule of expenditures of federal awards described above are fairly stated in all material respects in relation to the basic financial statements as a whole.

City of Monroe School Board  
Independent Auditors' Report

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of the School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control over financial reporting and compliance.

*Huffman, Reynolds & Sengstacke*

(A Professional Accounting Corporation)  
December 30, 2013

**REQUIRED SUPPLEMENTAL INFORMATION  
(PART A)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF MONROE SCHOOL BOARD  
Management's Discussion and Analysis**

**For The Year Ended June 30, 2013**

We offer readers of the City of Monroe School Board's financial statements this narrative overview and analysis of the financial activities of the City of Monroe School Board for the fiscal year ended June 30, 2013. It is designed to assist the reader in focusing on significant financial issues and identifying changes in the School Board's financial position.

**Financial Highlights**

The City of Monroe School Board ended the 2012-2013 fiscal year with a fund balance in the General Fund of approximately \$15.1 million.

Other financial highlights for the 2012-13 fiscal year include the following:

- Statement of Net Position – The assets of the City of Monroe School Board exceeded its liabilities at the close of the most recent fiscal year by \$20.6 million (net position).
- Capital Assets – Total capital assets (net of depreciation) were \$67.5 million or 63% of the total assets. The City of Monroe School Board uses these assets to provide educational services to children and adults; consequently, these assets are not available for future spending.
- Long-Term Obligations – The School Board's total obligations increased by approximately \$3.3 million.
- Statement of Activities – The total net position of the City of Monroe School Board decreased by approximately \$6.3 million for the year ended June 30, 2013.
- Governmental Funds Balance Sheet – As of the close of the 2012-2013 fiscal year, the City of Monroe School Board's governmental funds reported combined ending fund balance of \$30.0 million, a decrease of approximately \$1.1 million in comparison with the prior fiscal year. This fund balance is comprised of approximately (1) \$15.1 million in General Fund, (2) \$4.3 million in the debt service funds, and (3) \$10.6 million in the remaining special revenue and capital projects funds.
- Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances – Total revenues for the year ended June 30, 2013 for the governmental funds of the City of Monroe School Board amounted to \$104.0 million. Approximately 83.6% of this amount is received from three major revenue sources: (1) \$43.9 million from Minimum Foundation Program, (2) \$13.3 million from local ad valorem taxes, and (3) \$26.4 million from local sales and use taxes.

**CITY OF MONROE SCHOOL BOARD**  
**Management's Discussion and Analysis**

**For The Year Ended June 30, 2013**

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School Board's basic financial statements. The City of Monroe School Board's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Monroe School Board's finances, in a manner similar to a private-sector business.

- The Statement of Net Position presents information on all of the School Board's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Monroe School Board is improving or deteriorating.
- The Statement of Activities presents information showing how the School Board's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Monroe School Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City of Monroe School Board can be divided into two categories: governmental funds and fiduciary funds.

- *Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the City of Monroe School Board near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City of Monroe School Board's near-term financing decision. Both the governmental funds balance sheet and the governmental funds statement of revenues,

**CITY OF MONROE SCHOOL BOARD  
Management's Discussion and Analysis**

**For The Year Ended June 30, 2013**

expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Monroe School Board maintains nineteen governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Title 1, 2001 Sales Tax and QSCB Series 2011 Fund all of which are considered to be major funds. Data for the other fifteen governmental fund groups are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Monroe School Board adopts an annual appropriated budget for its General Fund and all Special Revenue Funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

- *Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the City of Monroe School Board. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Monroe School Board's own programs. The School Board maintains one fiduciary fund named the School Activity Fund.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School Board's compliance with budgets for its major funds. The combining statements for non-major governmental funds are presented immediately following the required supplementary information.

**Financial Analysis of Government-wide Activities**

The largest portion of the City of Monroe School Board's total assets totaling approximately \$107.3 million reflects its investment in capital assets of \$67.5 million (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The School Board uses these capital assets to provide educational services to children and adults; consequently, these assets are not available for future spending. Although the City of Monroe School Board's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF MONROE SCHOOL BOARD  
Management's Discussion and Analysis**

**For The Year Ended June 30, 2013**

**City of Monroe School Board's Net Assets**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current and other assets	\$ 39,849,871	\$ 41,526,176
Capital assets	<u>67,453,334</u>	<u>70,687,193</u>
<b>Total assets</b>	<b>\$ <u>107,303,205</u></b>	<b>\$ <u>112,213,369</u></b>
Deferred outflows of resources	<u>804,480</u>	<u>-</u>
Current and other liabilities	\$ 10,036,509	\$ 10,494,893
Long-term liabilities	<u>77,434,999</u>	<u>74,129,516</u>
<b>Total liabilities</b>	<b>\$ <u>87,471,508</u></b>	<b>\$ <u>84,624,409</u></b>
<b>Net position</b>		
Net invested in capital assets	\$ 32,334,209	\$ 29,637,243
Restricted	14,172,658	14,030,697
Unrestricted	<u>(25,870,690)</u>	<u>(16,078,980)</u>
<b>Total net position</b>	<b>\$ <u><u>20,636,177</u></u></b>	<b>\$ <u><u>27,588,960</u></u></b>

Restricted net position of \$14 million are reported separately to show the legal constraints for the payment of outstanding long-term debt obligations and future construction projects and to limit the School Board from using these funds for day-to-day operations. Debt Service Funds account for \$4.3 million of the total, with capital projects accounting for \$4.9 million. The remaining balance is monies restricted for salaries and benefits.

Governmental activities decreased the City of Monroe School Board's net position by \$6.3 million. Key elements of this decrease are as follows:

**CITY OF MONROE SCHOOL BOARD**  
**Management's Discussion and Analysis**

**For The Year Ended June 30, 2013**

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>
<b>Revenues</b>		
<b>Program revenues</b>		
Charges for services	\$ 154,518	\$ 189,002
Operating and capital grants & contributions	18,892,811	19,131,688
<b>General revenues</b>		
Ad valorem taxes	13,336,206	15,617,706
Sales taxes	26,408,100	25,768,276
Minimum foundation program	43,937,418	44,731,433
Interest on investments	135,700	203,570
Other general revenues	473,480	1,166,392
<b>Total revenues</b>	<u>103,338,233</u>	<u>106,808,067</u>
<b>Expenses</b>		
Instruction	62,676,937	64,578,768
<b>Support services</b>		
Pupil support services	6,830,486	6,387,909
Instructional staff support	4,925,394	5,362,836
General administration	2,476,815	2,582,924
School administration	4,886,436	4,836,787
Business services	1,521,067	1,605,700
Plant services	9,084,842	8,999,388
Student transportation services	3,948,179	4,128,494
Central services	4,346,619	4,408,984
Other support services	9,108	-
School food services	6,569,724	6,546,681
Facility acquisition and construction	1,605,614	1,590,575
Debt service - interest on long-term obligations	746,350	1,453,735
<b>Total expenses</b>	<u>109,627,571</u>	<u>112,482,781</u>
<b>Increase (decrease) in net position</b>	<u>\$ (6,289,338)</u>	<u>\$ (5,674,714)</u>

**CITY OF MONROE SCHOOL BOARD**  
**Management's Discussion and Analysis**

**For The Year Ended June 30, 2013**

**Governmental Activities**

Expenses are classified by functions/programs. Instructional services for fiscal 2013 totaled \$62,676,937, compared to a total of \$64,578,768 for 2012. The remaining functions are considered support services and relate to those functions that support the instructional services provided, such as pupil support, instructional staff support, administration, transportation, and plant services. Support services for fiscal 2013 totaled \$38,028,946 compared to \$38,313,022 for 2012.

The remaining expenditures of \$8,921,688 consist of \$1,605,614 for facility acquisition and construction, \$6,569,724 food and service operations and \$746,350 of interest expense on long-term obligations.

The related program revenues for fiscal year 2013 directly related to these expenses totaled \$18,895,811, along with \$154,518 in charges for such services. The balance of expenses represents the cost to the taxpayers. The costs of governmental activities exceeding restricted state and federal grants are paid primarily from the following sources:

- **Minimum Foundation Program (MFP)** – MFP is the funding formula for the 69 school districts in the state of Louisiana. The School Board received \$43,937,418 in MFP funds in 2012-2013. This amounts to 42.5% of the total revenues received by the School Board.
- **Sales Tax revenues** – sales tax revenues are the second largest source of revenue for the School Board, generating \$26,408,100 in revenue, or 25.5% of total revenue.
- **Ad Valorem tax revenues** – Ad valorem, or property tax revenues, the third largest source of revenues, accounts for 12.9% of total revenues or \$13,336,206.

**Financial Analysis of Governmental Funds**

As noted earlier, the City of Monroe School Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the City of Monroe School Board's government funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Monroe School Board's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a School Board's net resources available for spending at the end of the fiscal year.

- As of the close of the current fiscal year, the City of Monroe School Board's governmental funds reported a combined ending fund balance of \$30,032,427 a decrease of \$1,076,413 in comparison with the prior fiscal year.

**CITY OF MONROE SCHOOL BOARD  
Management's Discussion and Analysis**

**For The Year Ended June 30, 2013**

- The General Fund is the chief operating fund of the City of Monroe School Board. At the end of the current fiscal year, the fund balance of the General Fund is \$15,137,950.
- The Special Revenue Funds have a total fund balance of \$5,731,232 of which \$103,996 is nonspendable, \$2,416,206 is restricted for salaries and related benefits, \$2,719,6659 is restricted for instructional costs and \$491,335 is restricted for food services.
- The Debt Service Funds have a total fund balance of \$4,269,213 all of which is restricted for the payment of debt service.
- The Capital Projects Funds have a fund balance of \$4,894,032 all of which is restricted for construction projects.

**General Fund Budgetary Highlights**

In accordance with Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA-R.S 39:1301 et seq), the City of Monroe School Board must adopt a budget for the General Fund and all Special Revenue funds prior to September 15th. The original budget for the School Board was adopted on September 11, 2012.

The original General Fund Budget projected an ending fund balance of \$11.1 million, with the amended budget projecting to end the year with a positive balance of \$14.8 million. The actual ending balance for the General Fund came in at \$15.1 million. Expenses came in lower than projected in virtually all functional categories

**Capital Assets and Debt Administration**

**Capital Assets:** The City of Monroe School Board's investment in capital assets as of June 30, 2013, amounts to \$69,050,634 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress. The table below shows the value at the end of the fiscal year.

**City of Monroe School Board's Capital Assets  
(Net of depreciation)**

	<u>2013</u>	<u>2012</u>
Land	\$ 1,669,547	\$ 1,669,547
Buildings and improvements	62,338,329	64,580,273
Furniture and equipment	2,439,534	4,437,373
Construction in progress - buildings	<u>1,005,924</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 67,453,334</u></b>	<b><u>\$ 70,687,193</u></b>

**CITY OF MONROE SCHOOL BOARD  
Management's Discussion and Analysis**

**For The Year Ended June 30, 2013**

**Long-Term Debt**

**City of Monroe School Board Outstanding Debt  
As of June 30, 2013**

	<u>Balance</u> <u>June 30, 2013</u>	<u>Balance</u> <u>June 30, 2012</u>
School Refunding Bonds		
Series 2003	\$ 4,660,000	\$ 6,810,000
Series 2010	2,695,000	5,290,000
Sales Tax Bonds		
Series 2010	7,350,000	8,025,000
Series 2011	3,035,000	3,045,000
Revenue Bonds		
Series 2009	10,000,000	10,000,000
Series 2011	5,000,000	5,000,000
Certificates of Indebtedness		
Series 2008	879,125	1,054,950
Series 2009	1,500,000	1,500,000
<b>Total</b>	<b>\$ <u>35,119,125</u></b>	<b>\$ <u>40,724,950</u></b>

**Future Operations**

The School Board established a goal of maintaining a fund balance equal to 15% of the General Fund budgeted expenditures. The district continued to maintain a fund balance that exceeded this goal for the current fiscal year, and anticipates exceeding this goal again for 2013-2014. The School Board adopted a General Fund budget for 2013-2014 with an operating deficit of \$420,048. With this planned deficit spending, the projected ending fund balance still remains significantly above the 15% fund balance goal. There are several factors affecting the 2013-2014 operations.

- During the 2013 Legislative Regular Session, the governor and legislature allocated \$69 million for public schools as part of House Bill 1 (HB1). This amount is equivalent to a 2.75% increase in Minimum Foundation Program. The allocation for the City of Monroe School Board totaled \$997,180; whereas, the law required that 50% of these funds to be

**CITY OF MONROE SCHOOL BOARD  
Management's Discussion and Analysis**

**For The Year Ended June 30, 2013**

used to provide a "pay raise" to certificated classroom teachers. District officials decided to distribute the remaining funds to the remaining district employees.

- For the current fiscal year the district allocated funds for much needed roof repairs across the district. However, all projects were not completed during the 2012-2013 fiscal year and the continuation of these projects will carry over into the 2013-2014 which is budgeted at \$598,400 for completion.
- The increased cost of retirement continues to be an area of concern. Retirement rates for 2013-2014 increased from 24.5% to 27.2% for Teachers' Retirement System of Louisiana and from 29.1% to 31.3% for Louisiana School Employees' Retirement System.

In November 2013, the voters of Monroe, Louisiana authorized the issuance of bonds not exceeding \$58.8 million for the City of Monroe School Board. The bond proceeds will be applied to the specific projects set forth in the approved Capital Improvement Plan. This plan includes improvement projects across the district.

**Contacting the School Board's Financial Management**

If you have questions about this report or need additional financial information, contact DaVona Howard of the City of Monroe School Board, P. O. Box 4180, Monroe, LA 71211-4180, or call at (318) 325-0601.

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS (GWFS)**

**City of Monroe School Board  
Monroe, Louisiana**

**Statement of Net Position  
Governmental Activities**

**June 30, 2013**

<b>Assets</b>	
Cash and cash equivalents	\$ 26,905,026
Investments	2,939,231
Receivables	
Ad valorem taxes	75,973
Sales and use taxes	4,469,166
Federal grants	4,249,782
State grants	90,379
Other	135,552
Inventory	191,666
Other assets	793,096
Capital assets, net	<u>67,453,334</u>
Total assets	<u>107,303,205</u>
 <b>Deferred outflows of resources</b>	
Deferred amount on refunding	<u>804,480</u>
 <b>Liabilities</b>	
Accounts payable	399,952
Salaries and wages payable	9,406,380
Deferred revenue	11,112
Interest payable - bonds	219,065
Long-term liabilities	
Due within one year	6,774,385
Due in more than one year	<u>70,660,614</u>
Total liabilities	<u>87,471,508</u>
 <b>Net position</b>	
Net investment in capital assets	32,334,209
Restricted for	
Capital projects	4,894,032
Debt service	4,142,725
Salaries and related benefits	2,416,206
Instructional and maintenance costs	2,719,695
Unrestricted	<u>(25,870,690)</u>
Total net position	<u>\$ 20,636,177</u>

See accompanying notes to the basic financial statements

City of Monroe School Board  
Monroe, Louisiana

Statement of Activities  
Governmental Activities

For the Year Ended June 30, 2013

	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS		CAPITAL GRANTS AND CONTRIBUTIONS
<b>Functions/programs</b>					
<b>Current</b>					
<b>Instructional services</b>					
Regular programs	\$ 31,278,525	\$ -	\$ 197,225	\$ -	(31,081,300)
Special education programs	14,059,220	-	863,268	-	(13,195,952)
Vocational programs	1,914,127	-	122,968	-	(1,791,159)
Other instructional programs	7,588,514	126	1,617,809	-	(5,970,579)
Special programs	7,515,948	-	7,169,613	-	(346,335)
Adult/continuing education	320,603	-	127,119	-	(193,484)
<b>Support services</b>					
Pupil support services	6,830,486	-	1,721,361	-	(5,109,125)
Instructional staff support services	4,925,394	-	2,268,826	-	(2,656,568)
General administration	2,476,815	-	779	-	(2,476,036)
School administration	4,886,436	-	7,617	-	(4,878,819)
Business services	1,521,067	-	18,810	-	(1,502,257)
Plant services	9,084,842	-	10,576	-	(9,074,266)
Student transportation services	3,948,179	-	146,403	-	(3,801,776)
Central services	4,346,619	-	1,180	-	(4,345,439)
Other support services	9,108	-	-	-	(9,108)
<b>Noninstructional services</b>					
Food service operations	6,569,724	154,392	4,619,257	-	(1,796,075)
Facility acquisition and construction	1,605,614	-	-	-	(1,605,614)
<b>Debt service</b>					
Interest on long-term obligations	746,350	-	-	-	(746,350)
<b>Total Governmental Activities</b>	<b>\$ 109,627,571</b>	<b>\$ 154,518</b>	<b>\$ 18,892,811</b>	<b>\$ -</b>	<b>\$ (90,580,242)</b>
<b>General revenues</b>					
<b>Taxes</b>					
<b>Ad valorem taxes levied for</b>					
General purposes					9,874,144
Debt service purposes					3,462,062
<b>Sales taxes levied for</b>					
General purposes					10,280,882
Salaries and related benefits					16,127,218
<b>Grants and contributions not restricted to specific programs</b>					
Minimum foundation program					43,937,418
State revenue sharing					293,555
Interest and investment earnings					135,700
Gain (loss) on disposals of assets					(716,686)
Other					896,611
<b>Total general revenues</b>					<b>84,290,904</b>
<b>Changes in net position</b>					<b>(6,289,338)</b>
<b>Net position at beginning of year - restated</b>					<b>26,925,515</b>
<b>Net position at end of year</b>					<b>\$ 20,636,177</b>

See accompanying notes to the basic financial statements.

**FUND FINANCIAL STATEMENTS (FFS)**

City of Monroe School Board  
Monroe, Louisiana

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

June 30, 2013

	MAJOR FUNDS				AGGREGATE REMAINING FUNDS	
	GENERAL FUND	SPECIAL REVENUE		QSCB SERIES 2011 CAPITAL PROJECTS	OTHER GOVERNMENTAL	TOTAL
		TITLE I	2001 SALES TAX			
<b>Assets</b>						
Cash and cash equivalents	\$ 16,330,769	\$ -	\$ 453,711	\$ 4,904,110	\$ 5,216,436	\$ 26,905,026
Investments	250,000	-	2,689,231	-	-	2,939,231
Accounts receivable	202,014	2,428,060	2,525,685	-	3,865,093	9,020,852
Due from other funds	4,736,058	-	-	-	101,437	4,837,495
Inventory	119,633	-	-	-	72,033	191,666
Other assets	724,562	28,112	31,934	-	8,488	793,096
<b>Total assets</b>	<b>\$ 22,363,036</b>	<b>\$ 2,456,172</b>	<b>\$ 5,700,561</b>	<b>\$ 4,904,110</b>	<b>\$ 9,263,487</b>	<b>\$ 44,687,366</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 233,921	\$ 10,602	\$ 53,692	\$ 56,367	\$ 45,370	\$ 399,952
Salaries and wages payable	6,678,034	614,391	514,069	-	1,599,886	9,406,380
Due to other funds	313,131	1,831,179	597,200	-	2,095,985	4,837,495
Deferred revenues and other liabilities	-	-	-	-	11,112	11,112
<b>Total liabilities</b>	<b>7,225,086</b>	<b>2,456,172</b>	<b>1,164,961</b>	<b>56,367</b>	<b>3,752,353</b>	<b>14,654,939</b>
<b>Fund balances</b>						
<b>Nonspendable</b>						
Inventory and prepaids	844,195	-	31,934	-	72,062	948,191
<b>Restricted for</b>						
Salaries and related benefits	-	-	2,026,650	-	389,556	2,416,206
Instructional costs	-	-	-	-	242,679	242,679
Instructional and maintenance costs	-	-	2,477,016	-	-	2,477,016
Food services	-	-	-	-	491,335	491,335
Debt service	-	-	-	-	4,269,213	4,269,213
Capital projects	-	-	-	4,847,743	46,289	4,894,032
Unassigned	14,293,755	-	-	-	-	14,293,755
<b>Total fund balances</b>	<b>15,137,950</b>	<b>-</b>	<b>4,535,600</b>	<b>4,847,743</b>	<b>5,511,134</b>	<b>30,032,427</b>
<b>Total liabilities and fund balances</b>	<b>\$ 22,363,036</b>	<b>\$ 2,456,172</b>	<b>\$ 5,700,561</b>	<b>\$ 4,904,110</b>	<b>\$ 9,263,487</b>	<b>\$ 44,687,366</b>

See accompanying notes to the basic financial statements.

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**

**Reconciliation of the Governmental Funds'  
Balance Sheet to Statement of Net Position**

**June 30, 2013**

Total fund balances - governmental funds \$ 30,032,427

The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in Governmental Funds. The Statement of Net Assets includes those capital assets among the assets of the School Board as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as Governmental Activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Cost of capital assets	\$ 113,956,931	
Accumulated depreciation	<u>(46,503,597)</u>	67,453,334

**Elimination of interfund assets and liabilities**

Interfund assets	4,837,495	
Interfund liabilities	<u>(4,837,495)</u>	-

Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term- are reported in the Statement of Net Assets.

See accompanying notes to the basic financial statements.

(Continued)

**CITY OF MONROE SCHOOL BOARD  
Monroe, Louisiana**

**Reconciliation of the Governmental Funds'  
Balance Sheet to Statement of Net Assets (Concluded)**

**June 30, 2013**

Balances at June 30, 2013 are

Long-term liabilities

Compensated absences payable	(1,683,351)	
General obligation bonds payable	(7,355,000)	
Sales tax bonds payable	(10,385,000)	
Revenue bonds payable	(15,000,000)	
Certificates of indebtedness	(2,379,125)	
Other post employment benefits	(40,269,998)	
Bond premium	<u>(362,525)</u>	(77,434,999)

Payments to escrow agents to refund bonded debt are reported in the Governmental Funds as Other Financing Sources. The amount paid to the escrow agents for principal is removed from the long-term bonded debt in the Statement of Net Position. The deferred part of the payments is shown as deferred outflows of resources in the Statement of Net Position. The deferred amount is amortized over the lesser of the life of the original bonds or the life of the refunding

804,480

Interest on outstanding bonds in the Governmental Funds is recorded as an expenditure when paid. Bond interest in the Statement of Net Assets is recognized as an expense as it accrues.

Accrued interest on outstanding bonds

(219,065)

**Net Position**

**\$ 20,636,177**

See accompanying notes to the basic financial statements.

City of Monroe School Board  
Monroe, Louisiana

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2013

	MAJOR FUNDS				AGGREGATE	TOTAL
	GENERAL FUND	SPECIAL REVENUE		QSCB SERIES 2011 CAPITAL PROJECTS	REMAINING FUNDS	
		TITLE I	2001 SALES TAX		OTHER GOVERNMENTAL	
<b>REVENUES</b>						
Local sources						
Ad valorem taxes	\$ 9,874,144	\$ -	\$ -	\$ -	\$ 3,462,062	\$ 13,336,206
Sales and use taxes	-	-	14,686,974	-	11,721,126	26,408,100
Earnings on investments	40,844	-	47,617	29,259	17,980	133,700
Cash payments for meals	-	-	-	-	154,392	154,392
Other local revenues	539,173	-	-	-	199,115	738,288
State sources						
State equalization	43,787,418	-	-	-	150,000	43,937,418
Revenue sharing	293,555	-	-	-	-	293,555
Other restricted revenues	136,894	-	184,118	-	431,825	752,837
Federal sources						
Federal restricted grants-in-aid	88,874	6,839,019	-	-	11,350,467	18,278,360
<b>Total revenues</b>	<b>54,760,902</b>	<b>6,839,019</b>	<b>14,918,709</b>	<b>29,259</b>	<b>27,486,967</b>	<b>104,034,856</b>
<b>EXPENDITURES</b>						
Current						
Instructional services						
Regular programs	19,652,878	7,912	3,705,964	-	4,929,403	28,296,157
Special education programs	8,858,664	21	1,459,362	-	2,582,479	12,900,526
Vocational programs	1,233,509	-	141,771	-	368,513	1,743,793
Other instructional programs	3,675,949	465,316	620,854	-	2,194,713	6,956,832
Special programs	534,926	3,689,151	34,288	-	2,579,891	6,838,256
Adult/Continuing education programs	124,790	-	13,052	-	153,620	293,662
Support services						
Pupil support services	3,256,649	721,484	420,497	-	1,869,965	6,268,595
Instructional staff support	1,687,113	1,285,986	188,677	-	1,352,923	4,514,699
General administration	1,698,660	-	385,623	-	187,244	2,371,527
School administration	3,209,180	-	405,681	-	870,003	4,484,864
Business services	998,593	14,567	189,518	433	171,851	1,374,962
Plant services	5,463,643	9,584	2,344,510	-	346,228	8,163,965
Student transportation services	2,695,526	43,339	377,968	-	316,288	3,433,121
Central services	1,345,943	-	1,850,599	-	317,504	3,514,466
Other support services	165	-	6,675	-	1,519	8,359
Noninstructional services						
Food service operations	195,636	-	394,642	-	5,358,703	5,948,981
Debt service						
Principal	175,825	-	-	-	5,755,000	5,930,825
Interest	1,666	-	72,500	-	758,036	832,202
Capital outlay	20,579	-	579,125	202,356	559,316	1,361,376
<b>Total expenditures</b>	<b>54,829,894</b>	<b>6,237,360</b>	<b>13,193,306</b>	<b>202,789</b>	<b>30,673,819</b>	<b>105,137,168</b>
Excess (deficiency) of revenues over expenditures	(68,992)	601,659	1,725,403	(173,530)	(3,186,852)	(1,103,312)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of assets	5,836	-	-	-	-	5,836
Insurance proceeds	20,063	-	-	-	-	20,063
Transfers in	1,129,331	-	699,841	-	1,543,868	3,333,086
Transfers out	(685,383)	(601,659)	(1,470,315)	46	(375,729)	(3,333,086)
<b>Total other financing sources (uses)</b>	<b>469,847</b>	<b>(601,659)</b>	<b>(810,474)</b>	<b>46</b>	<b>968,139</b>	<b>25,899</b>
<b>Net change in fund balances</b>	<b>400,855</b>	<b>-</b>	<b>914,929</b>	<b>(173,484)</b>	<b>(2,218,713)</b>	<b>(1,076,413)</b>
<b>Fund balances at beginning of year</b>	<b>14,737,095</b>	<b>-</b>	<b>3,620,671</b>	<b>5,021,227</b>	<b>7,729,847</b>	<b>31,108,840</b>
<b>Fund balances at end of year</b>	<b>\$ 15,137,950</b>	<b>\$ -</b>	<b>\$ 4,535,600</b>	<b>\$ 4,847,743</b>	<b>\$ 5,511,134</b>	<b>\$ 30,032,427</b>

See accompanying notes to the basic financial statements.

**CITY OF MONROE SCHOOL BOARD  
Monroe, Louisiana**

**Reconciliation of the Governmental Funds'  
Statement of Revenues, Expenditures and Changes in  
Fund Balances to the Statement of Activities**

**For the Year Ended June 30, 2013**

Total net change in fund balances - Governmental Funds \$ (1,076,413)

Amounts reported for governmental activities in the Statement of Activities are different because:

Elimination of operating transfers in and out:

Transfers in	\$ (3,333,086)	
Transfers out	<u>3,333,086</u>	-

Capital outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceed capital outlays in the period:

Capital Outlays	1,842,621	
Depreciation	<u>(3,663,224)</u>	(1,820,603)

Capital Assets nor depreciation are reported in the Governmental Funds. In the Statement of Net Assets capital assets and accumulated depreciation are reported. When an asset is disposed, it results in a gain or loss on the disposal of the asset in the Statement of Activities. During the current year the School Board disposed of assets resulting in a loss on disposal of capital assets of \$716,686.

(1,091,717)

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

6,300,020

In the Statement of Activities, certain operating expenses - compensated absences (vacations and sick leave) - are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick time used (\$890,175) exceeded the amounts earned (\$875,037).

15,138

See accompanying notes to the basic financial statements.

(Continued)

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**

**Reconciliation of the Governmental Funds'**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances to the Statement of Activities (Concluded)**

**For the Year Ended June 30, 2013**

The deferred amount on refunding of bonded debt is shown as a reduction of long-term debt, however, the amount is amortized over the lesser of the life of the original bonds or the life of the refunding bonds.

Current year deferrals	-	
Current year amortization	<u>(241,035)</u>	(241,035)

Other post employment benefits are reported in the Governmental funds as expenditures when paid. The unfunded annual contribution is reported in the Statements of Activities as it accrues. (8,701,615)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because accrued interest received from bond sales is recognized as Other Financing Sources when received and interest on outstanding bonds is recognized as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expenses are recognized as the interest accrues, regardless of when it is due.

Interest expense payable as of June 30, 2013	(219,065)	
Interest expense payable as of June 30, 2012	<u>419,462</u>	200,397

Bond premium from bond sales is reported in the Governmental Funds as Other Financing Sources when received. Bond premium is reported in the Government-wide Financial Statements as a liability and amortized over the life of the bonds.

Current year premium deferral	-	
Current year bond premium amortization	<u>126,490</u>	<u>126,490</u>

**Change in net position of governmental activities** **\$ (6,289,338)**

See accompanying notes to the basic financial statements.

**City of Monroe School Board  
Monroe, Louisiana**

**Statement of Assets and Liabilities  
Fiduciary Fund Type - Agency Funds  
School Activity Funds**

**June 30, 2013**

**Assets**

Cash and cash equivalents

\$ 715,418

**Liabilities**

Amounts held for other organizations

\$ 715,418

See accompanying notes to the basic financial statements.

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, LA**

**Notes To The Basic Financial Statements**

**June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies**

***ORGANIZATION***

The City of Monroe School Board (the School Board) is governed by a seven-member board, each of whom is elected from a single member district. It operates under the authority of the City of Monroe Charter of 1900, as amended by the Mayor-Council Home Rule Charter for the City of Monroe, adopted in August 1979. The School Board is authorized to establish and operate public schools within the City of Monroe.

The School Board is composed of a central office, 19 schools and 2 support facilities. The School Board serves approximately 8,200 students and employs approximately 1,400 persons, of which over 800 are directly involved in the instructional process. The remainder provides ancillary support such as general administration, repair and maintenance, bus transportation and food service. The regular school term normally begins during the latter half of August and runs until the end of May.

***A. Financial Reporting Entity***

The School Board is the basic level of government which has oversight responsibility and control over all activities related to public school education in the City of Monroe. The School Board receives funding from Federal, state and local sources and must comply with the requirements of those funding source entities. However, the School Board is not included in any other governmental reporting entity as defined by Governmental Accounting Standards Board (GASB) Statement No. 14 *The Reporting Entity*, since the members of the School Board are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. Therefore, the School Board is a separate governmental reporting entity. For financial reporting purposes, the School Board's financial statements include all funds, school, agencies and committees for which the School Board is financially accountable. The School Board is not aware of any other entities that should be included within the financial statements.

Certain units of local government, such as other independently elected officials, the parish police jury and municipalities, are excluded from the accompanying financial statements. These units have their own elected governing authorities and are not financially accountable to the School Board.

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, LA**

**Notes To The Basic Financial Statements**

**June 30, 2013**

***B. Fund Accounting***

The financial transactions of the School Board are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that includes its assets, liabilities, fund equity, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The School Board uses the following fund categories and fund types:

***Governmental Funds***

Governmental funds account for the School Board's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt.

Governmental funds are divided into major and nonmajor funds. Major funds are funds that meet certain dollar tests of their assets, liabilities, revenues and expenditures. Major funds are larger, more significant funds. Nonmajor funds are the governmental funds that do not meet the dollar tests for major funds. The major and nonmajor funds are described below.

**Major Funds:**

***General Fund*** - The General Fund is the general operating fund of the School Board. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

***Special Revenue Funds*** - Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are major funds:

Title I of the Elementary and Secondary Education Act (ESEA) is a federally financed program which provides for the needs of children who are at risk of not meeting challenging academic standards and who reside in areas of high concentrations of children from low-income families.

**CITY OF MONROE SCHOOL BOARD  
Monroe, LA**

**Notes To The Basic Financial Statements**

**June 30, 2013**

2001 Sales Tax Fund accounts for the collection and distribution of the sales tax levies to provide additional support to the school system to include funding of capital improvements and employee salaries.

*Capital Projects Funds* – Capital Projects Funds account for financial resources used for the acquisition or construction of major capital facilities and improvements. The following Capital Projects Fund is a major fund:

The QSCB Series 2011 Fund accounts for the proceeds from the issuance of \$5,000,000 of Revenue Bonds for the purpose of construction, rehabilitation or repair of public school facilities and equipping of school facilities.

Nonmajor Funds:

The School Board has 8 nonmajor Special Revenue Funds, 3 nonmajor Debt Service Funds and 4 nonmajor Capital Projects Funds. For a description of these funds, see the Nonmajor Funds section of this report.

***Fiduciary Funds***

*Agency Funds* – The Agency Funds account for assets held by the School Board in a trustee capacity or as an agent for individuals, private or school organizations, other governmental units and/or other funds. The School Activity Fund accounts for all individual school activity funds. While these funds are under the supervision of the School Board, they belong to the individual schools or their student bodies and are not available for use by the School Board.

**C. *Basis of Accounting / Measurement Focus***

***Government-Wide Financial Statements (GWFS)***

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Non-

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, LA**

**Notes To The Basic Financial Statements**

**June 30, 2013**

exchange transactions are recognized when the School Board has an enforceable legal claim to the revenues, expenses, gains, losses, assets and liabilities.

*Program Revenues*

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the School Board's taxpayers or citizenry as a whole; program revenues reduce the cost of the function to be financed from the School Board's general revenues.

*General Revenues*

General revenues included in the Statement of Activities derive directly from local property and sales taxes and from unrestricted state grants. General revenues finance the remaining balance of a function not covered by program revenues.

*Allocation of indirect expenses*

The School Board reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses (long-term debt interest) of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense of each function.

*Fund Financial Statements (FFS)*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds reported in the fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Governmental funds reported in the fund financial statements are accounted for on the modified accrual basis of accounting. Governmental fund revenues are recognized in the accounting period in which they become susceptible to accrual – that is when they become both measurable and available to pay current period liabilities. Such revenue items are ad valorem, sales and use taxes and federal and

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, LA**

**Notes To The Basic Financial Statements**

**June 30, 2013**

state entitlements. Ad valorem taxes are considered measurable in the calendar year of the tax levy. Ad valorem taxes are considered available because they are substantially collected within 60 days subsequent to year end. Sales taxes are considered measurable and available when collected by the vendors. Revenue from state and Federal grants are recorded when the reimbursable expenditure have been incurred.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Funds for payments to be made early in the following year.

*D. Cash and Cash Equivalents*

Cash and cash equivalents include amounts in interest-bearing demand deposits as well as short-term investments with a maturity date within three months of the date acquired. Short-term investments are stated at cost, which approximates fair value.

Interest earned on balances maintained in the pooled bank account was distributed to the individual funds based on the cash balance maintained by the unrestricted participating fund during the year.

The School Board maintains separate "book" cash accounts for each fund that is pooled within the master bank account. Negative book cash balances appear in the financial statements as a liability, "Due to Other Funds." The balance of these amounts will be paid primarily through collections of grants receivable reimbursements from the Federal and State Departments of Education.

*E. Investments*

Investments, consisting of certificates of deposit, are stated at market value in accordance with the provisions of GASB Statement No. 31.

*F. Short-Term Interfund Receivables/Payables*

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet.

**CITY OF MONROE SCHOOL BOARD  
Monroe, LA**

**Notes To The Basic Financial Statements**

**June 30, 2013**

***G. Elimination and Reclassifications***

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

***H. Bond Issuance Costs/Bond Premiums***

Costs associated with issuing bonds (bond rating fees, attorney fees, printing, etc.) are capitalized and amortized over the life of the bond issue in the government-wide financial statements. The bond issuance costs are reported as expenditures in the fund financial statements. Bond premium from bond sales is reported in the governmental funds as Other Financing Sources when received. Bond premium is reported in the Government-wide Financial Statements as a liability and amortized over the life of the bonds.

***I. Inventory***

Inventory of the School Food Service Fund consists of food and supplies. Inventory is recorded as an expenditure as it is consumed. Inventory is valued at cost on the first-in, first-out (FIFO) method. Commodities provided to the School Board by the United States Department of Agriculture (USDA) through the State Department of Education are reflected as revenue when received and as an expenditure when consumed. Commodities are valued at amounts assigned by the USDA.

***J. Capital Assets***

Capital Assets, which include land, buildings, and equipment, are reported as governmental funds in the governmental-wide financial statements. The School Board considers assets with an initial individual cost of \$5,000 or more and an estimated life of one year or more as a capital asset.

Capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Capital assets have not been assigned a salvage value

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because management feels that the salvage value is immaterial. Straight-line depreciation is used based on the following useful lives:

Buildings	40 years
Furniture and equipment	3-15 years

***K. Interfund Activity***

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the Government-Wide Financial Statements.

***L. Fund Balance***

Nonspendable fund balance represents resources that cannot be physically used to settle obligations of the school system, such as food inventory.

Restricted fund balances represent resources restricted by tax ordinances or by local, state or Federal grant regulations for future use and are, therefore, not available for future appropriation or expenditure.

Committed fund balances indicate the School Board's tentative plans for the use of financial resources in a future period. Fund balance commitments are made by Board approved resolutions.

Assigned fund balances are those determined by the Superintendent and Business Manager, under authority given under a resolution of the Board, as needed for the payment of future commitment.

The School Board had no committed or assigned fund balances at June 30, 2013.

***M. Compensated Absences***

All employees receive ten sick days each year, with any unused portion being carried forward. Upon retirement, employees with twenty years of service or more are paid for up to 25 days of accumulated sick leave. Only employees who work 12

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calendar months per year earn vacation days. The School Board's policy regarding payment of accumulated vacation days is to allow for a maximum accumulation and payment of no more than 30 days with persons credited with days in excess of 30 as of the effective date (July 1, 1994) being grandfathered in at their then-current accumulation.

*N. Long-Term Liabilities*

Bond premiums and discounts, as well as issuance costs, are recognized in the fund financial statements in the period the bonds are issued. Bond proceeds are reported as an Other Financing Source. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

*O. Restricted Net Assets*

For the Government-Wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

In the Statement of Net Assets, the following items are considered restricted:

Capital projects are restricted because the proceeds from issuance of bonded debt are dedicated to acquiring and improving school property.

Debt service is considered restricted because an ad valorem tax has been levied specifically to meet the principal and interest payments of various bond issues.

Salaries and related benefits are considered restricted as it represents undistributed salaries and related benefits from sales taxes restricted exclusively for this purpose.

*P. Sales and Use Taxes*

The voters of Ouachita Parish authorized the City of Monroe School Board and the Ouachita Parish School Board to jointly levy and collect a 0.5% sales and use tax. The net proceeds of the tax are to be allocated and prorated between the two school

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boards annually on the basis of average daily membership for the preceding school year. Eighty-eight percent of the sales and use tax revenues received by the School Board are to be used for the payment of the salaries of teachers, as defined by the Louisiana State Department of Education. The remaining twelve percent is to be used for the payment of salaries to designated personnel other than teachers.

In March 1994, the voters of the City of Monroe approved the levy of a 0.5% sales and use tax. The net proceeds of the tax are to supplement salaries and benefits of certified teachers and other personnel and to provide additional funds for instructional activities. This sales tax went into effect in July 1994.

In July 2001, the citizens of the City of Monroe approved a 1% sales tax for additional support of the School Board. This sales tax went into effect in October 2001.

*Q. Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Note 2 - Cash and Cash Equivalents and Investments**

*Custodial credit risk - deposits.* The School Board's cash and cash equivalents and investments consist of deposits with financial institutions. State statutes govern the School Board's investment policy. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts or savings certificates of savings and loan associations and repurchase agreements. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates the local government investment pool. Collateral is required for demand deposits, certificates of deposit, savings certificates of savings and loan associations and repurchase agreements at 100% of all amounts not covered by deposit insurance. Obligations that may be pledged as collateral are obligations of the United States government and its agencies and obligations of the state and its subdivisions. Per Louisiana State law, collateral is not required for funds invested in LAMP.

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The following is a schedule of the School Board's cash and cash equivalents at June 30, 2013. Differences between School Board balances and the bank balances arise because of the net effect of deposits-in-transit and outstanding checks.

	<u>School Board Balance</u>	<u>Bank Balance</u>	
Cash on Deposit	\$ 25,973,846	\$ 27,252,798	
Petty Cash	1,100	-	
Cash Equivalents:			
LAMP Investments	<u>930,082</u>	<u>930,082</u>	
<b>TOTAL</b>	<b><u>\$ 26,905,028</u></b>	<b><u>\$ 28,182,880</u></b>	

The School Board's deposits are collateralized as follows:

Federal Deposit Insurance	\$ 1,000,000
Pledged Securities:	
Collateralized	<u>39,430,762</u>
<b>Total</b>	<b><u>\$ 40,430,762</u></b>

The School Board's investments at June 30, 2013, consist of a certificate of deposit with a carrying and market value of \$250,000. It is held by the School Board's agent in the School Board's name and is collateralized. Also \$2,689,231 is being held in trust by the paying agent for the repayment of the School Board's Series 2009 and Series 2011 Qualified School Construction Bonds.

*Credit risk.* The School Board's investments consist of the certificate of deposit mentioned above and State and Local Government Series (SLGS) securities held by the paying agent thus limiting the School Board's credit risk at June 30, 2013.

*Concentration of credit risk.* The School Board does not limit the amount that may be invested in securities of any one issuer. Applicable state statutes do not place limits on credit concentration.

*Interest rate risk.* The School Board manages its exposure to declines in fair values by limiting the maturity of its investments to no longer than one year.

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**Note 3 - Ad Valorem Taxes**

The Sheriff of Ouachita Parish, as provided by State law, bills and collects property taxes on behalf of the School Board using the assessed values determined by the tax assessor of Ouachita Parish. For the year ended June 30, 2013, taxes of 37.63 mills were levied on property with assessed valuations totaling \$344,250,632 and were dedicated as follows:

School Operations, Maintenance, Aid and Support	27.63 mills
Series 1994 & Series 1995 Bonds Debt Service	10.00 mills
	37.63 mills

The School Board's portion of the total taxes originally levied was \$14,700,589 of which \$12,954,159 was assessed on property owners and \$1,746,430 was assessed under Homestead Exemption. The School Board collected \$13,336,206 through June 30, 2013, of which a nominal amount was for prior year(s) levies. Approximately 85% of the homestead exemption is not appropriated by the State of Louisiana and therefore is not collected.

**Property Tax Calendar**

Millage Rates Adopted	September 15, 2012
Levy Date	November 30, 2012
Tax Bills Mailed	November 30, 2012
Total Taxes Are Due	December 31, 2012
Lien Date	January 1, 2013

Assessed values are established by the Ouachita Parish Tax Assessor each year on a uniform basis at the following ratios to fair market value.

10% Land	15% Machinery
10% Residential Improvements	15% Commercial Improvements
15% Industrial Improvements	25% Public Service Properties, Excluding Land

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**Note 4 - Capital Assets**

A summary of the changes in capital assets for the year ended June 30, 2013, is as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
<b>Governmental Activities</b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 1,669,547	\$ -	\$ -	1,669,547
Construction-in-progress	<u>-</u>	<u>1,170,677</u>	<u>164,753</u>	<u>1,005,924</u>
<b>Total capital assets not being depreciated</b>	<b>1,669,547</b>	<b>1,170,677</b>	<b>164,753</b>	<b>2,675,471</b>
<b>Capital Assets being depreciated</b>				
Buildings & improvements	88,428,771	233,217	-	88,661,988
Furniture and equipment	<u>23,048,871</u>	<u>603,480</u>	<u>1,032,879</u>	<u>22,619,472</u>
<b>Total capital assets being depreciated</b>	<b>111,477,642</b>	<b>836,697</b>	<b>1,032,879</b>	<b>111,281,460</b>
<b>Less accumulated depreciation</b>				
Buildings and improvements	23,848,498	2,475,161	-	26,323,659
Furniture and equipment	<u>19,868,687</u>	<u>1,188,063</u>	<u>876,812</u>	<u>20,179,938</u>
<b>Total accumulated depreciation</b>	<b>43,717,185</b>	<b>3,663,224</b>	<b>876,812</b>	<b>46,503,597</b>
<b>Total capital assets being depreciated, net</b>	<b><u>67,760,457</u></b>	<b><u>(2,826,527)</u></b>	<b><u>156,067</u></b>	<b><u>64,777,863</u></b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ <u>69,430,004</u></b>	<b>\$ <u>(1,655,850)</u></b>	<b>\$ <u>320,820</u></b>	<b>\$ <u>67,453,334</u></b>

The School Board changed its capitalization policy to \$5,000; therefore, beginning balances of capital assets and accumulated depreciation with respect to Furniture and Equipment have been adjusted by approximately (\$789,000) and \$468,000, respectively, for items omitted in prior years.

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Depreciation expense was charged to governmental activities as follows:

Instructional services:	
Regular programs	\$ 448,743
Special education programs	3,587
Vocational programs	14,195
Other instructional programs	8,771
Special programs	65,398
Adult/Continuing education	647
Support services:	
Pupil support services	604
Instructional staff support services	6,451
General Administration	1,896
Business services	22,992
Plant services	189,880
Student transportation services	207,658
Central services	517,469
Food service operations	88,074
Facility acquisition and construction	2,086,859
Total depreciation expense	\$ <u>3,663,224</u>

**Note 5 - Significant Concentrations of Risk**

Amounts due from governmental agencies represent substantially all of receivables from outside sources. The School Board derives a majority of its revenue from grants by governmental agencies and is, therefore, economically dependent upon these grants.

**Note 6 - Pension and Retirement Plans**

***State-sponsored Plans:***

Substantially all employees of the School Board are members of two statewide retirement systems which are multiple-employer, cost-sharing public employee retirement systems. In general, professional employees such as teachers, principals and lunchroom workers are members of the Teachers' Retirement System of Louisiana (TRSL); other employees, such as custodial personnel and bus operators, are members of the Louisiana School Employees' Retirement System (LSERS). Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service.

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*Teachers' Retirement System of Louisiana (TRSL)*

Under the TRSL Regular Plan, there are two retirement formulas: the 2% formula and the 2.5% formula. Participants may retire under the 2% formula at age 60 with at least 10 years of service credit or at any age with 20 years of service credit. Under the 2.5% formula, participants may retire at age 65 with 20 years of service credit; at age 55 with 25 years of service credit; or at any age with 30 years of service credit. The retirement benefit formula is based on the average salary of the 36 highest consecutive months times the applicable retirement percentage formula.

Under the TRSL-Plan A, normal retirement is generally at any age with 30 or more years credited service, and at the age of 55 with at least 25 years of credited service and at age 60 with at least 10 years of credited service. The retirement benefit formula is generally 3% times the average salary of the 36 highest successive months.

*Funding Policy:* As provided by statute, the School Board's employer contributions to the TRSL are funded by the State of Louisiana through expenditures by the School Board of state Minimum Foundation Program (MFP) funds and local ad valorem and sales taxes. State statutes also require covered employees to contribute a percentage of their salaries to the system. As further provided by statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the system's prior fiscal year. The School Board's contribution rates were 24.5%, 23.7%, and 20.2% for the years ended June 30, 2013, 2012 and 2011 respectively. The School Board's contributions to the TRSL plans for the years ended June 30, 2013, 2012 and 2011 were \$11,796,689, \$11,636,748, and \$10,601,508 respectively, equal to the statutorily required contributions in each year.

The TRSL issues an annual, publicly-available financial report that includes financial statements and required supplementary information for the retirement system. The report may be obtained by writing the Teachers' Retirement System, P.O. Box 94123, Baton Rouge, Louisiana 70804-9123 or by calling (225) 925-6446.

*Louisiana School Employees' Retirement System (LSERS)*

Employees participating in the LSERS are eligible for normal retirement after 30 years of service at any age, 25 years of service at age 55, or 10 years of service at age 60. The maximum retirement allowance is computed at 3.3% times the highest 36 months of average salary, times the years of service plus a supplement of \$2.00 per month times the years of service.

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*Funding Policy:* As provided by statute, the School Board's employer contributions to the LSERS are funded by the State of Louisiana through expenditures by the School Board of state MFP funds and local ad valorem and sales taxes. State statutes also require covered employees to contribute a percentage of their salaries to the system. As further provided by statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the system's prior fiscal year. The School Board's contribution rate of annual covered payroll were 30.8%, 28.6%, and 24.3% for the years ended June 30, 2013, 2012 and 2011 respectively. The School Board's contributions to the LSERS plans for the years ended June 30, 2013, 2012 and 2011 were \$1,256,903, \$1,193,851, and \$1,057,892 respectively, equal to the statutorily required contributions in each year.

The LSERS issues an annual, publicly-available financial report that includes financial statements and required supplementary information for the retirement system. The report may be obtained by writing the Louisiana School Employees' Retirement System, P.O. Box 44516, Capitol Station, Baton Rouge, LA 70804 or by calling (225) 925-6484.

***School Board-Sponsored Plan:***

The School Board has adopted for its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all School Board employees, permits them to defer a portion of their salaries until future years. The School Board does not make any contributions to the plan. The deferred compensation is not available to employees until termination, retirement or unforeseen emergency. The deferred compensation is available to employee's beneficiaries in case of death.

Under the terms of a plan established in accordance with the terms of the amended IRC Section 457, all compensation deferred under the plan, all property and rights acquired with those amounts and all income attributable to those amounts and rights are solely the property and rights of the participants and their beneficiaries. As required by the amended IRC Section 457, the School Board has established custodial accounts with an unrelated third party administrator who holds in trust the assets and income of the plan. The trustee holds assets with a fair market value of \$796,587 at June 30, 2013.

**Note 7 - Other Postemployment Benefits**

As permitted by Louisiana Revised Statute 17:1223, the School Board provides certain continuing health care and life insurance benefits for certain retired employees through the State group insurance plan, an agent multiple employer defined benefit plan. These

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benefits if they reach normal retirement age, as defined under the applicable retirement system (see Note 6), while working for the School Board. Currently the City of Monroe School Board's post employment benefits plan provides employees with a choice of participation in one of three medical insurance plans, each with varying benefits: preferred provider organization (PPO), exclusive provider organization (EPO), or health maintenance organization (HMO). LSA-R.S. 42:801 – 859 assigns the authority to establish benefit plans and premium rates and negotiate contracts to the Office of Group Benefits under the direction of the Commissioner of Administration. The Office of Group Benefits' financial report is included in the Louisiana Comprehensive Annual Financial Report (CAFR) which may be obtained from Office of Statewide Reporting and Accounting Policy's website at [www.doa.la.gov/osrap](http://www.doa.la.gov/osrap); by writing to P.O. Box 94095, Baton Rouge, Louisiana 70804-9095; or by calling (225)342-0708.

The School Board recognizes the cost of providing these benefits (the School Board's portion of premiums) as an expenditure in the Governmental Funds when the monthly premiums are due. The cost of retiree benefits totaled approximately \$3,309,000 during fiscal 2013; approximately 557 retirees receive benefits under this plan.

In the Government-wide Financial Statements in accordance with GASB 45 starting with the 2009 fiscal year, the cost of health care and life insurance benefits for active employees is expensed when earned. The liability for health care and life insurance for active and retired employees previously earned benefits has been calculated and will be amortized over 30 years. The normal costs and the accrued liability for previously earned benefits are based on the following data and assumptions:

**Mortality Rate**

The mortality rate was determined by using the RP-2000 System Table (sex distinct) with floating AA projections.

**Investment Return Assumption (Discount Rate) and Inflation Rate**

While GASB 45 allocates the costs of a postretirement benefit plan over the years of active employment (when the promise of future benefits is potentially motivating an employee), it does not require the funding of such benefits. There are two key points that need to be noted in this regard. First, the choice of the discount rate used in measuring the liabilities of the benefits is tied to the funding vehicle or lack thereof. GASB 45 requires the use of a discount rate for an unfunded plan equal to what the sponsor earns on its general assets. Since a lower discount rate leads to higher liabilities, a funded plan will have lower liabilities than an unfunded plan with identical provisions

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and membership. Since it is anticipated that the annual required contribution will not be funded, a 4% annual investment return is assumed in the actuarial evaluation which represents a reasonable estimate of short-term pooled funds.

**Amortization Method and Period**

The level dollar closed amortization method has been used. An amortization period of 30 years has been used for the medical benefits and for the life insurance benefits. The valuation used the closed group method, under which future entrants are not considered.

**Healthcare Cost Trend Rate**

In the absence of readily available cost trend data from the Office of Group Benefits, the expected rate of increase in healthcare insurance premiums is based on an understanding of the plan and *Milliman's Health Cost Guidelines*. The assumed annual per capita cost of medical and pharmacy benefits for select ages are illustrated below. These are gross amounts prior to reduction for any retiree contributions.

PPO

	<u>Retiree Only</u>	<u>Retiree &amp; Spouse</u>
Pre-65	\$ 11,130	\$ 17,093
Post-65	\$ 3,136	\$ 5,637

EPO

	<u>Retiree Only</u>	<u>Retiree &amp; Spouse</u>
Pre-65	\$ 11,130	\$ 17,093
Post-65	\$ 3,136	\$ 5,637

HMO

	<u>Retiree Only</u>	<u>Retiree &amp; Spouse</u>
Pre-65	\$ 10,554	\$ 16,216
Post-65	\$ 3,024	\$ 5,420

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**Medical Inflation (Trend Assumption)**

The trend assumptions for medical and pharmacy costs and retiree premiums are summarized below:

<u>Year</u>	<u>Trend</u>
2012	6.30%
2013-2015	6.10%
2016-2020	6.00%
2021-2025	5.90%
2026-2032	5.80%
2033-2034	5.70%
2035	5.60%
2036-2037	5.50%
2038-2039	5.40%
2040-2042	5.30%
2043-2047	5.20%
2048-2053	5.10%
2054-2062	5.00%
2063-2076	4.90%
2077	4.80%
2078	4.60%
2079-2085	4.50%
2086 and ongoing	4.40%

**Life Insurance**

- Life insurance amount for active employees – \$77,000
- Life insurance benefits reduces to 75% of face value at age 65 and 50% of face value at age 70.

**Withdrawal Rates**

The following service related sample withdrawal rates are shown below:

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Age	Males	Females
25	7.0%	7.0%
30	8.0%	8.0%
35	6.0%	6.0%
40	3.0%	3.0%
45	2.0%	2.0%
50	2.0%	2.0%

The rate of withdrawal is multiplied by 1.25 for the year first of employment.

**Disability Rates**

The following service related sample disability rates are shown below:

Age	Male	Female
25	0.01%	0.01%
30	0.03%	0.03%
35	0.06%	0.06%
40	0.10%	0.10%
45	0.18%	0.18%
50	0.24%	0.24%
55	0.47%	0.47%

**Retirement Rate**

It is assumed that entitlement to benefits will commence at the expected retirement date (that is, the date at which the eligible employee will actually retire) under the pension plan which covers employees. It is assumed that this retirement date is three years later than the earliest date at which the employee is eligible for regular retirement benefits. That "regular retirement" date is defined as the earliest of the following:

- 30 years of service credit at any age; or
- 25 years of service credit at age 55; or
- 5 years of service credit at age 60
- 20 years of service at any age -- early retirement

The assumed percent of employees reaching retirement are as follows:

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**Retirement Rates**

<u>Age</u>	<u>Male</u>	<u>Female</u>
38	5.00%	5.00%
39	6.00%	6.00%
40	4.00%	4.00%
45	3.00%	3.00%
50	3.00%	3.00%
55	10.30%	10.30%
60	27.70%	27.70%
65	33.00%	33.00%
70	38.30%	38.30%
71	38.50%	38.50%
72+	100.00%	100.00%

**Actuarial Methods and Assumptions**

The amount of the current employer portion of the healthcare premiums for retiree coverage has been used as the basis for calculating the actuarial present value of benefits to be paid; the Office of Group Benefits' "*Official Schedule of Rates*" effective July 1, 2007 has been used for this purpose. It has been assumed 90 % of employees who elect coverage while in active employment and who are eligible for retiree medical benefits will continue the same medical coverage in retirement. It is assumed that 40% of members electing coverage will also elect coverage for a spouse. Females are assumed to be three years younger than males.

**Actuarial Cost Method**

The actuarial cost method determines, in a systematic way, the incidence of plan sponsor contributions required to provide plan benefits. It also determines how actuarial gains and losses are recognized in OPEB costs. These gains and losses result from the difference between the actual experience under the plan and what was anticipated by the actuarial assumptions.

The cost of the Plan is derived by making certain specific assumptions as to rates of interest, mortality, turnover, etc. which are assumed to hold for many years into the future. Since actual experience may differ somewhat from the long term assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the Plan.

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Actuarial liabilities and comparative costs were computed using the unit credit actuarial cost method, which consists of the following cost components:

1. The normal cost is the actuarial present value of benefits allocated to the evaluation year.
2. The actuarial accrued liability is the actuarial present value of benefits accrued as of the valuation date.
3. Valuation assets are equal to the market value of assets as of the valuation date, if any.
4. Unfunded actuarial accrued liability is the difference between the actuarial accrued liability and the valuation assets. It is amortized over the maximum permissible period under GASB 45 of 30 years.

It should be noted that GASB 45 allows a variety of cost methods to be used. This method was selected because it is generally easy to understand and is widely used for the valuation of post employment benefits other than pensions.

**Actuarial Value of Plan Assets**

Actuarial value of assets is the value of cash, investments, and other property belonging to the plan, as used by the actuary for the purpose of an actuarial valuation. Since this is the first actuarial valuation, there are not any assets to be actuarially valued; however, it is anticipated that future valuations of actuarial assets will be based on Actuarial Standards Board Actuarial Standard of Practice Number 6, *Measuring Retiree Group Benefit Obligations*, which is applicable to post employment benefits plans and generally requires valuing dedicated plan assets using a method that takes into account market value.

**Actuarial Methods and Assumptions**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) healthcare cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actuarial results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plans (the plans as understood by the City of Monroe School Board Fund and

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its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Monroe School Board and its plans members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effect of legal or contractual funding limitation on the pattern of cost sharing between the City of Monroe School Board and plan members in the future. Consistent with the long-term perspective of actuarial calculation, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The following table shows the City of Monroe School Board's annual post employment benefits cost, percentage of that cost contributed and the net unfunded post employment benefits liability:

<u>Year Ended</u>	<u>Post Employment Benefits Cost</u>	<u>Annual Cost Contributed</u>	<u>Post Employment Benefits Liability</u>
6/30/11	\$12,038,433	27.0%	\$23,391,964
6/30/12	\$11,862,582	31.1%	\$31,568,383
6/30/13	\$11,868,484	26.7%	\$40,269,998

**Funded Status and Funding Progress**

In the 2008-09 fiscal year the City of Monroe School Board started recording post-employment benefits in its financial statements. The School Board has not made any contribution to a post employment benefits plan trust. Therefore, the plan has no assets, and hence has a funded ratio of zero. As of June 30, 2013, the actuarial accrued liability was \$105,716,600, which is defined as that portion, as determined by a particular actuarial cost method (the City of Monroe School Board used the Unit Credit Cost method), of an actuarial present value of a post employment plan benefits and expenses which is not provided by normal cost (i.e. the cost of the actuarial present value of post employment benefits for active employees from their hire date through June 30, 2013, and for retired employees from their hire date through their date of retirement).

Since the plan was not funded in 2013, the entire actuarial accrued liability of \$105,716,600 was unfunded. The annual payroll of active employees covered by the plan, or "covered payroll," amounted to \$41,445,195 in 2013; the ratio of the unfunded actuarial accrued liability to the covered payroll was approximately 255%. (Salaries are not used to determine either medical or life post employment benefits).

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, LA**

**Notes To The Basic Financial Statements**

**June 30, 2013**

**Annual Post Employment Benefits Cost and Net Post Employment Benefits Liability**

The table below shows the City of Monroe School Board's annual post employment benefits for the year ended June 30, 2013, and changes in the unfunded post employment benefits liability:

	<u>6/30/2013</u>	<u>6/30/2012</u>
Normal Cost	\$ 5,966,495	\$ 5,980,281
30-year actuarial accrued liability amortization of medical and life	<u>6,614,403</u>	<u>6,350,442</u>
Annual required contribution (ARC)	12,580,898	12,330,723
Interest on prior year net post employment benefits liability	1,262,735	935,679
Adjustments to the annual required	<u>(1,975,149)</u>	<u>(1,403,820)</u>
OPEB Cost - June 30	11,868,484	11,862,582
Current year retiree premium	<u>(3,166,869)</u>	<u>(3,686,163)</u>
Increase in Net OPEB Obligation	8,701,615	8,176,419
Beginning Net OPEB Obligation	<u>31,568,383</u>	<u>23,391,964</u>
Ending Net OPEB Obligation	<u>\$ 40,269,998</u>	<u>\$ 31,568,383</u>

**Required Contribution Rates**

As determined by the Office of Group Benefits and approved by the Louisiana Legislature, the employer paid 75% of the premium cost for post employment benefits for retired employees and their families, and the retirees paid 25% of the premium cost; monthly premium cost for retired employees ranged from approximately \$63 for a single retiree with Medicare in the HMO plan to approximately \$356 for a retiree and spouse without Medicare in the EPO plan. Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits.

The City of Monroe School Board's annual medical and life post employment benefits cost (expense) is calculated based on the annual required contribution of the employer, and amount actuarially determined in accordance with the parameters of GASB Statement Number 45. The City of Monroe School Board's annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize the unfunded actuarial liability (or funding excess) over a period of

**CITY OF MONROE SCHOOL BOARD  
Monroe, LA**

**Notes To The Basic Financial Statements**

**June 30, 2013**

thirty (30) years for health and life insurance. The total annual required contribution for the year ended June 30, 2013, is \$12,580,898, none of which the School Board opted to fund in 2013. Since the plan was not funded in fiscal year 2013, the entire actuarial accrued liability of \$105,716,60 is unfunded.

**Funding Policy**

Currently, there are no requirements for employers to contribute to their post employment benefits plans. In 2008-09, the City of Monroe School Board started recognizing the cost of providing these benefits (the City of Monroe School Board's portion of premiums) as an expense when the benefits premiums were due and thus financed the cost of post employment benefits on a pay-as-you-go basis. The School Board implemented Governmental Accounting Standards Board Statement Number 45, Accounting and Financial Reporting by employers for Post employment Benefits Other than Pension (GASB Statement 45), prospectively in 2007-08 and at that time began to record its portion of premiums as an expense during the period of active service by the employee (normal cost). In 2013, the City of Monroe School Board's portion of health care and life insurance benefit premium for retired employees totaled \$3,166,869 as shown in above table. The School Board at this time does not plan to fund the post employment liability other than the monthly health and life insurance premiums as they become due.

**Note 8 - Long-Term Obligations**

The following is a summary of changes in Long-Term Obligations for the year ended June 30, 2013:

**CITY OF MONROE SCHOOL BOARD  
Monroe, LA**

**Notes To The Basic Financial Statements**

**June 30, 2013**

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
General obligation bonds	\$ 12,100,000	\$ -	\$ 4,745,000	\$ 7,355,000
Unamortized bond premium	489,014	-	126,489	362,525
Sales tax bonds	11,395,000		1,010,000	10,385,000
Revenue bonds	15,000,000	-	-	15,000,000
Certificates of indebtedness	2,554,950	-	175,825	2,379,125
Other post employment benefits	31,568,383	8,701,615	-	40,269,998
Capital Lease	369,195	-	369,195	-
Compensated absences, net	1,698,489	875,037	890,175	1,683,351
<b>TOTAL</b>	<b>\$ 75,175,031</b>	<b>\$ 9,576,652</b>	<b>\$ 7,316,684</b>	<b>\$ 77,434,999</b>

Long-term bonds and certificates of indebtedness outstanding at June 30, 2013 are comprised of the following:

**CITY OF MONROE SCHOOL BOARD  
Monroe, LA**

**Notes To The Basic Financial Statements**

**June 30, 2013**

	<u>Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
<b><u>General Obligation Bonds</u></b>				
School Refunding Bonds,				
Series 2003	2003	3/1/2015	2.50-5.00	\$ 4,660,000
Series 2010	2010	3/1/2014	2.00-3.00	2,695,000
<b><u>Sales Tax Bonds</u></b>				
Sales Tax Refunding Bonds				
Series 2010	2010	10/1/2022	2.00-4.00	7,350,000
Series 2011	2011	10/1/2022	2.00-3.00	3,035,000
<b><u>Certificates of Indebtedness</u></b>				
Series 2008	2008	7/1/2017	-	879,125
Series 2009	2009	7/1/2019	-	1,500,000
<b><u>Revenue Bonds</u></b>				
Revenue Bonds, Series 2009	2009	10/15/2024	0.50	10,000,000
Revenue Bonds, Series 2011	2011	3/15/2026	0.40	<u>5,000,000</u>
<b>Total Bonds and Certificates of Indebtedness</b>				<b>\$ <u>35,119,125</u></b>

Debt service requirements to maturity on all School Board bonds and certificates of indebtedness outstanding at June 30, 2013 are as follows:

**CITY OF MONROE SCHOOL BOARD  
Monroe, LA**

**Notes To The Basic Financial Statements**

**June 30, 2013**

Year Ending June 30,	Principal	Interest	Total
2014	\$ 6,165,825	\$ 552,050	\$ 6,717,875
2015	3,615,825	445,475	4,061,300
2016	1,245,825	324,975	1,570,800
2017	1,275,825	291,875	1,567,700
2018	1,320,825	251,950	1,572,775
2019-2023	6,495,000	668,038	7,163,038
2024-2027	15,000,000	155,000	15,155,000
<b>TOTAL</b>	<b>\$ 35,119,125</b>	<b>\$ 2,689,363</b>	<b>\$ 37,808,488</b>

**Note 9 - Lease Commitments and Rental Expense**

*Operating Leases*

The School Board leases various items of equipment and facilities under lease agreements which are subject to annual re-appropriation clauses. Generally, as equipment leases expire, they are replaced with other leases. Rent expense for the year ending June 30, 2013 totaled \$218,993.

**Note 10 - Interfund Receivables and Payables (FFS level only)**

Individual balances due to/from other funds at June 30, 2013, are as follows:

**CITY OF MONROE SCHOOL BOARD  
Monroe, LA**

**Notes To The Basic Financial Statements**

**June 30, 2013**

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>Unreimbursed expenses:</b>		
<b>Major Funds:</b>		
General Fund	\$ 4,736,058	\$ 313,131
<b>Nonmajor Funds:</b>		
Bond Redemption	22,296	-
2001-2002 Sales Tax Bond Sinking	79,141	-
1968 Sales Tax	-	476,200
<b>Deficit Cash Balances:</b>		
<b>Major Funds:</b>		
Title I	-	1,831,179
2001 Sales Tax	-	597,200
<b>Nonmajor Funds:</b>		
1994 Sales Tax	-	397,019
Special Education	-	208,493
Other Federal Programs	-	999,191
State Grants	-	15,082
<b>Total Due To/From Other Funds</b>	<u>\$ 4,837,495</u>	<u>\$ 4,837,495</u>

**Note 11 - Interfund Transfers**

Transfers to/from other funds for the year ended June 30, 2013 were as follows:

**CITY OF MONROE SCHOOL BOARD  
Monroe, LA**

**Notes To The Basic Financial Statements**

**June 30, 2013**

	Transfers In	Transfers Out
<b>Major Funds:</b>		
General Fund	\$ 1,129,330	\$ 685,383
<b>Special Revenue:</b>		
2001 Sales Tax	659,841	1,470,315
Title I	-	601,659
QSCB Serier 2011	46	-
<b>Nonmajor Funds:</b>		
<b>Special Revenue:</b>		
Special Education		191,501
1994 Sales Tax	48,000	48,000
Other Federal Programs	25,299	336,117
State Grants	31	-
<b>Debt Service:</b>		
2001-2002 Sales Tax Bond Sinking	1,470,315	-
<b>Capital Projects:</b>		
QZAB	-	24
QZAB 2009	12	12
QZAB 2011	212	75
<b>Total</b>	<b>\$ 3,333,086</b>	<b>\$ 3,333,086</b>

Included in the transfers are \$1,470,315 from Special Revenue Funds-2001 Sales Tax to Debt Service Funds-2001-2002 Sales Tax Bonds for the use in paying bond principal and interest.

**Note 12 - Risk Financing Activities**

The School Board manages its exposure under general liability, fleet, and errors and omissions through the purchase of commercial insurance. Qualifying employees and retirees may participate in the state group medical and life insurance plan. Risk of loss under workers' compensation statutes is self-insured by the School Board for up to \$200,000 per occurrence, with reinsurance coverage in force for losses in excess of that amount. The self-insured plan is administered by a third party, with the claims under the self-insured amount paid by the General Fund; certain Special Revenue funds reimburse the General Fund for payment of their claims. Consistent with the provisions of GASB Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related*

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, LA**

**Notes To The Basic Financial Statements**

**June 30, 2013**

*Insurance Issues*, the School Board uses the General Fund to account for its risk financing activities. During the year ended June 30, 2013, the School Board incurred and paid claims under the worker's compensation plan of approximately \$866,480 net of reimbursements.

**Note 13 - Litigation and Contingencies**

The School Board is a defendant in several lawsuits. Management and legal counsel for the School Board believe that the potential claims against the School Board, not covered by insurance, would not adversely affect the School Board's financial position.

The School Board is defendant in a lawsuit with 14 certified teachers as plaintiffs alleging that as certified teachers, they are exclusively entitled to receive, as extra compensation, certain portions or percentages of funds that are derived from 2 local sales tax levies. Class action certification is sought, permitting the plaintiffs to represent every certified teacher presently employed and previously employed dating back to 1968, along with the estates of any now deceased certified teachers employed since 1968. The School Board's liability exposure, in the opinion of counsel, is questionable and indeterminate at this time.

During the year ended June 30, 2013, the Louisiana Inspector General commenced an investigation of certain transactions relating to payroll activities at the School Board. A report of the Inspector General's findings has not been issued as yet.

**Note 14 - Restatement of Net Position**

The School Board implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

The net effect to the entity-wide Statement of Net Position for the prior period from the adoption of GASB Statement No. 65 is as follows:

**CITY OF MONROE SCHOOL BOARD  
Monroe, LA**

**Notes To The Basic Financial Statements**

**June 30, 2013**

	<u>Governmental Activities</u>
Total Net Position, June 30, 2012 as previously reported	\$ 27,588,960
Bond issuance cost not expensed as of June 30, 2012	(341,906)
Tot Net Position, June 30, 2012, restated	<u>\$ 27,247,054</u>

**Note 15 - Subsequent Event**

In November 2013, the voters of Monroe, Louisiana authorized the issuance of bonds not exceeding \$58.8 million for the City of Monroe School Board. The bond proceeds will be applied to the specific projects set forth in the approved Capital Improvement Plan. This plan includes improvement projects across the district.

**REQUIRED SUPPLEMENTAL INFORMATION  
(PART B)**

**CITY OF MONROE SCHOOL BOARD**  
Monroe, Louisiana

**General Fund**  
**Budgetary Comparison Schedule (GAAP Basis)**

For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance With Final Budget Over (Under)
	<u>Original Budget</u>	<u>Final Budget</u>		
Budgetary fund balance at beginning of year	\$ 12,066,229	\$ 14,737,095	\$ 14,737,095	\$ -
<b>Resources (inflows)</b>				
<b>Local sources</b>				
Ad valorem taxes				
Constitutional tax	2,525,825	2,428,881	2,443,141	14,260
Renewable tax	7,318,388	7,055,300	7,096,742	41,442
Other than school taxes	332,627	332,627	334,261	1,634
Earnings on investments	55,000	44,000	40,844	(3,156)
Other local revenue	320,615	318,528	539,173	220,645
<b>Total local sources</b>	<u>10,552,455</u>	<u>10,179,336</u>	<u>10,454,161</u>	<u>274,825</u>
<b>State and federal sources</b>				
State equalization	43,879,451	43,766,366	43,787,418	21,052
State revenue sharing	310,000	293,555	293,555	-
State restricted revenue	168,165	129,555	136,894	7,339
Federal restricted grants-in-aid	540,000	87,973	88,874	901
<b>Total state and federal sources</b>	<u>44,897,616</u>	<u>44,277,449</u>	<u>44,306,741</u>	<u>29,292</u>
<b>Other sources</b>				
Proceeds from sale of assets	31,000	5,836	5,836	-
Insurance proceeds	18,974	20,063	20,063	-
Transfers in	1,200,000	1,040,054	1,129,331	89,277
<b>Total other sources</b>	<u>1,249,974</u>	<u>1,065,953</u>	<u>1,155,230</u>	<u>89,277</u>
<b>Total resources</b>	<u>56,700,045</u>	<u>55,522,738</u>	<u>55,916,132</u>	<u>393,394</u>
<b>Amounts available for appropriations</b>	<u>68,766,274</u>	<u>70,259,833</u>	<u>70,653,227</u>	<u>393,394</u>
<b>Charges to appropriations (outflows)</b>				
<b>Current</b>				
<b>Instructional services</b>				
Regular programs	20,454,651	19,799,213	19,652,878	146,335
Special education programs	8,921,855	8,900,413	8,858,664	41,749
Vocational programs	1,236,279	1,240,408	1,233,509	6,899
Other instructional programs	3,957,653	3,690,176	3,675,949	14,227
Special programs	452,210	554,746	534,926	19,820
Adult/Continuing education programs	125,906	125,308	124,790	518
<b>Support Services</b>				
Pupil support services	3,206,619	3,332,710	3,256,649	76,061
Instructional staff support	1,814,397	1,653,921	1,687,113	(33,192)
General administration	1,847,671	1,756,984	1,698,660	58,324
School administration	3,153,914	3,204,417	3,209,180	(4,763)
Business services	1,067,531	1,003,869	998,593	5,276
Plant services	6,388,818	5,581,786	5,463,643	118,143
Student transportation services	2,850,862	2,840,537	2,695,526	145,011
Central services	1,308,482	1,305,648	1,345,943	(40,295)
Other support services	163	300	165	135
<b>Non-instructional services</b>				
Food service operations	178,975	195,271	195,636	(365)
Capital outlay	73,871	29,190	20,579	8,611
Debt service	510,158	176,802	177,491	(689)
<b>Other uses</b>				
Transfers out	150,000	80,000	685,383	(605,383)
<b>Total charges to appropriations</b>	<u>57,700,015</u>	<u>55,471,699</u>	<u>55,515,277</u>	<u>(43,578)</u>
<b>Budgetary fund balance at end of year</b>	<u>\$ 11,066,259</u>	<u>\$ 14,788,134</u>	<u>\$ 15,137,950</u>	<u>\$ 349,816</u>

See accompanying notes to budgetary comparison schedules

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**

**Title I**  
**Budgetary Comparison Schedule (GAAP Basis)**

**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Budgetary fund balance at beginning of year</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (inflows)</b>				
<b>Federal sources</b>				
Federal restricted grants-in-aid	8,288,598	6,880,974	6,839,019	(41,955)
<b>Total federal sources</b>	<u>8,288,598</u>	<u>6,880,974</u>	<u>6,839,019</u>	<u>(41,955)</u>
<b>Total resources</b>	<u>8,288,598</u>	<u>6,880,974</u>	<u>6,839,019</u>	<u>(41,955)</u>
<b>Amounts available for appropriations</b>	<u>8,288,598</u>	<u>6,880,974</u>	<u>6,839,019</u>	<u>(41,955)</u>
<b>Charges to appropriations (outflows)</b>				
<b>Current</b>				
<b>Instructional services</b>				
Regular programs	6,280	7,912	7,912	-
Special education programs	-	21	21	-
Other instructional programs	790,874	476,434	465,316	11,118
Special programs	4,152,180	3,713,095	3,689,151	23,944
<b>Support services</b>				
Pupil support services	789,461	721,485	721,484	1
Instructional staff support	1,569,744	1,286,050	1,285,986	64
Business services	19,961	14,568	14,567	1
Plant services	13,109	9,583	9,584	(1)
Student transportation services	217,079	46,374	43,339	3,035
<b>Other uses</b>				
Transfers out	729,910	605,452	601,659	3,793
<b>Total charges to appropriations</b>	<u>8,288,598</u>	<u>6,880,974</u>	<u>6,839,019</u>	<u>41,955</u>
<b>Budgetary fund balance at end of year</b>	\$ -	\$ -	\$ -	\$ -

See accompanying notes to budgetary comparison schedules

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**

**2001 Sales Tax**  
**Budgetary Comparison Schedule (GAAP Basis)**

**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>	<u>(Budgetary</u>	<u>Over</u>
			<u>Basis)</u>	<u>Over</u>
				<u>(Under)</u>
<b>Budgetary fund balance at beginning of year</b>	\$ 1,251,470	\$ 3,620,671	\$ 3,620,671	\$ -
<b>Resources (inflows)</b>				
<b>Local sources</b>				
Sales and use taxes	14,407,021	14,531,000	14,686,974	155,974
Interest on investments	4,638	1,500	47,617	46,117
<b>State sources</b>				
Other restricted revenues	42,782	491,158	184,118	(307,040)
<b>Other sources</b>				
Transfers in	-	-	659,841	659,841
<b>Total resources</b>	<u>14,454,441</u>	<u>15,023,658</u>	<u>15,578,550</u>	<u>554,892</u>
<b>Amounts available for appropriations</b>	<u>15,705,911</u>	<u>18,644,329</u>	<u>19,199,221</u>	<u>554,892</u>
<b>Charges to appropriations (outflows)</b>				
<b>Current</b>				
<b>Instructional services</b>				
Regular programs	3,746,436	3,781,181	3,705,964	75,217
Special education programs	1,663,844	1,457,671	1,459,362	(1,691)
Vocational programs	124,858	140,726	141,771	(1,045)
Other instructional programs	750,731	651,383	620,854	30,529
Special programs	54,901	22,798	34,288	(11,490)
Adult education services	12,208	14,563	15,052	(489)
<b>Support services</b>				
Pupil support services	391,077	426,900	420,497	6,403
Instructional staff support	153,669	198,337	188,677	9,660
General administration	397,850	393,249	385,623	7,626
School administration	355,241	409,283	405,681	3,602
Business services	184,650	186,583	189,518	(2,935)
Plant services	2,663,697	2,529,502	2,344,510	184,992
Student transportation services	341,421	378,281	377,968	313
Central services	1,802,688	1,924,195	1,850,599	73,596
Other support services	1,132	9,383	6,675	2,708
<b>Non-Instructional services</b>				
Food service operations	385,405	398,308	394,642	3,666
<b>Capital outlay</b>	1,139,877	589,275	579,125	10,150
<b>Debt services</b>	670,000	954,816	72,500	882,316
<b>Other uses</b>				
Transfers out	1,665,095	1,590,000	1,470,315	119,685
<b>Total charges to appropriations</b>	<u>16,504,780</u>	<u>16,056,434</u>	<u>14,663,621</u>	<u>1,392,813</u>
<b>Budgetary fund balance at end of year</b>	\$ <u>(798,869)</u>	\$ <u>2,587,895</u>	\$ <u>4,535,600</u>	\$ <u>1,947,705</u>

See accompanying notes to budgetary comparison schedules

**City of Monroe School Board  
Monroe, Louisiana**

**Notes to Budgetary Comparison Schedules  
Fiscal year Ended June 30, 2013**

**Budget and Budgetary Accounting**

The School Board utilized the following procedures in establishing the budgetary data reflected in the financial statements:

In September, the Superintendent submits to the School Board proposed annual appropriated budgets for the General Fund and the Special Revenue Funds for the fiscal year commencing the prior July 1. A public hearing is conducted to obtain taxpayer comments. Prior to September 15, the School Board legally enacts the budget through adoption. The only legal requirement is that the School Board adopts a balanced budget; that is, total budgeted revenues and other financing sources (including fund balance) must equal or exceed total budgeted expenditures and other financing uses. The budget is revised periodically throughout the year, when deemed appropriate, but a balanced budget is always approved.

All budgets have annual appropriated budgets adopted on a basis consistent with GAAP. Except for grant-oriented funds, unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are utilized when goods or services are received. Grant-oriented fund budgets are adopted at the time the grant applications are approved by the grantor. Separate annual budgets are adopted for unencumbered appropriations of grant-oriented Special Revenue Funds at the beginning of the following fiscal year.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. All budgets are operational at the departmental or project level. The Superintendent of the School Board is authorized to transfer budget amounts between line item activity and between any functions of an individual fund; however, any supplemental appropriations that amend the total expenditures of any fund require School Board approval.

**CITY OF MONROE SCHOOL BOARD**

**OTHER POST EMPLOYMENT BENEFITS  
SCHEDULE OF FUNDING PROGRESS**

<u>Fiscal Year Ending</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as of Percentage of Covered Payroll ((b-a)/c)</u>
6/30/2013	7/1/2013	\$ -	\$ 105,716,600	\$ 105,716,600	0.0%	\$ 41,445,195	255.1%
06/30/12	07/01/12	\$ -	\$ 105,817,901	\$ 105,817,901	0.0%	\$ 41,010,519	258.0%
06/30/11	07/01/11	\$ -	\$ 105,817,901	\$ 105,817,901	0.0%	\$ 42,721,541	247.7%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Amount Contributed</u>	<u>Percentage of Annual OPEB Costs Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	11,868,484	\$ 3,166,869	26.7%	\$ 40,269,998
06/30/12	\$ 11,862,582	\$ 3,686,163	31.1%	\$ 31,568,383
06/30/11	\$ 12,038,433	\$ 3,251,500	27.0%	\$ 23,391,964

**SUPPLEMENTAL INFORMATION**

**NONMAJOR FUNDS**

**CITY OF MONROE SCHOOL BOARD**

**Monroe, Louisiana**

**Nonmajor Funds**

**As of and for the Year Ended June 30, 2013**

**Special Revenue Funds**

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. These funds are primarily established for specific educational purposes and funded through the United States Department of Education or the Louisiana Department of Education.

- A. The Special Education funds is a Federal program that provides free appropriate education for all identified handicapped children from 3 to 21 years of age in the least restrictive environment.
- B. School Food Service accounts for the revenues and expenditures incurred, in providing to pupils, breakfast and lunch services during the school year and in the Summer Feeding program.
- C. Reading First is a federally financed program to ensure that all children achieve reading mastery by the end of the third grade.
- D. 1968 Sales Tax Fund accounts for the collection and distribution of a one-half percent sales tax to provide for supplemental salaries to School Board personnel. Certified personnel receive 88% of the collections with classified personnel receiving 12%.
- E. 1994 Sales Tax Fund accounts for the collection and distribution of a one-half percent sales tax levied to provide additional support to the school system to including funding of employee salaries and instructional purposes.
- F. The Other Federal Programs funds account for all other federal programs that were not specifically discussed above.
- G. The State Grants funds account for various programs funded by the Louisiana Department of Education.
- H. The Local Grants funds account for one grant from a private entity.

**Debt Service Funds:**

Debt Service Funds account for the accumulation of resources for the payment of general long-term principal, interest and related costs.

The Bond Redemption Fund accounts for the 1995 School Improvement Bonds and the related 2001 and 2003 refunding bonds.

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**  
**Nonmajor Funds**

**As of and for the Year Ended June 30, 2013**

The 2001-2002 Sales Tax Bond Sinking Fund accounts for the 2001 and 2002 Series Sales Tax Bonds.

The QZAB Sinking Funds accounts for the 2011 Qualified Zone Academy Bonds.

**Capital Projects Funds:**

Capital Projects Funds account for the financial resources received and used for the acquisition, construction or improvements of capital facilities not reported in other governmental funds.

The QZAB Series 2008 (Qualified Zone Academy Bond) Fund accounts for proceeds from the issuance of \$1,582,450 of Certificates of Indebtedness for the purpose of rehabilitating or repairing schools and related facilities, purchasing equipment and developing course materials for education.

The QZAB Series 2009 (Qualified Zone Academy Bond) Fund accounts for proceeds from the issuance of \$1,500,000 of Certificates of Indebtedness for the purpose of rehabilitating or repairing schools and related facilities, purchasing equipment, teacher training and developing course materials for education.

The Capital Projects Fund accounts for resources accumulated and expended for improvements, acquisitions and construction of School Board Facilities.

The QSCB (Qualified School Construction Bonds) Fund accounts for proceeds from the issuance of \$10,000,000 of Revenue Bonds for the purpose of construction, rehabilitation or repair of public school facilities and equipping of school facilities.

The QSCB Series 2011 (Qualified School Construction Bonds) Fund accounts for proceeds from the issuance of \$5,000,000 of Revenue Bonds for the purpose of construction, rehabilitation or repair of public school facilities and equipping of school facilities.

**City of Monroe School Board  
Monroe, Louisiana**

**NONMAJOR GOVERNMENTAL FUNDS  
Combining Balance Sheet**

**June 30, 2013**

	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,022,643	\$ 4,147,504	\$ 46,289	\$ 5,216,436
Accounts receivable	3,844,821	20,272	-	3,865,093
Due from other funds	-	101,437	-	101,437
Inventory	72,033	-	-	72,033
Other assets	8,488	-	-	8,488
<b>Total assets</b>	<b>\$ 4,947,985</b>	<b>\$ 4,269,213</b>	<b>\$ 46,289</b>	<b>\$ 9,263,487</b>
 <b>Liabilities and Fund Equity</b>				
<b>Liabilities</b>				
Accounts payable	\$ 45,370	\$ -	\$ -	\$ 45,370
Salaries and wages payable	1,599,886	-	-	1,599,886
Due to other funds	2,095,985	-	-	2,095,985
Other liabilities	11,112	-	-	11,112
<b>Total liabilities</b>	<b>3,752,353</b>	<b>-</b>	<b>-</b>	<b>3,752,353</b>
 <b>Fund Equity</b>				
<b>Nonspendable</b>				
Inventory and prepaids	72,062	-	-	72,062
<b>Restricted for</b>				
Salaries and related benefits	389,556	-	-	389,556
Instructional costs	242,679	-	-	242,679
Food services	491,335	-	-	491,335
Debt service	-	4,269,213	-	4,269,213
Capital projects	-	-	46,289	46,289
<b>Total fund balances</b>	<b>1,195,632</b>	<b>4,269,213</b>	<b>46,289</b>	<b>5,511,134</b>
<b>Total liabilities and fund equity</b>	<b>\$ 4,947,985</b>	<b>\$ 4,269,213</b>	<b>\$ 46,289</b>	<b>\$ 9,263,487</b>

City of Monroe School Board  
Monroe, Louisiana

**NONMAJOR GOVERNMENTAL FUNDS**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**

For the Year Ended June 30, 2013

	Special Revenue	Debt Service	Capital Projects	Total
<b>Revenues</b>				
<b>Local Sources</b>				
Ad valorem tax	\$ -	\$ 3,462,062	\$ -	\$ 3,462,062
Sales tax collections	11,721,126	-	-	11,721,126
Interest	5,678	12,216	86	17,980
School food service payment for meals	154,392	-	-	154,392
Other local revenue	45,831	153,284	-	199,115
<b>State Sources</b>				
Restricted grants-in-aid	431,825	-	-	431,825
Grants - unrestricted	150,000	-	-	150,000
<b>Federal Sources</b>				
Restricted grants-in-aid	11,350,467	-	-	11,350,467
<b>Total revenues</b>	23,859,319	3,627,562	86	27,486,967
<b>Expenditures</b>				
<b>Current</b>				
<b>Instructional</b>				
Regular programs	4,929,403	-	-	4,929,403
Special education programs	2,582,479	-	-	2,582,479
Vocational programs	368,513	-	-	368,513
Other instructional programs	2,194,713	-	-	2,194,713
Special programs	2,579,891	-	-	2,579,891
Adult/Continuing education programs	153,820	-	-	153,820
<b>Support Services</b>				
Pupil support services	1,869,965	-	-	1,869,965
Instructional staff	1,352,923	-	-	1,352,923
General administration	84,634	102,610	-	187,244
School administration	870,003	-	-	870,003
Business services	171,663	-	188	171,851
Plant services	343,114	-	3,114	346,228
Student transportation services	316,288	-	-	316,288
Central services	317,924	-	-	317,924
Other support services	1,519	-	-	1,519
<b>Noninstructional</b>				
Food service operations	5,358,703	-	-	5,358,703
<b>Debt service</b>				
Principal	-	5,755,000	-	5,755,000
Interest	-	758,036	-	758,036
<b>Capital outlay</b>	515,905	-	43,411	559,316
<b>Total expenditures</b>	24,011,460	6,615,646	46,713	30,673,819
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(152,141)	(2,988,084)	(46,627)	(3,186,852)
<b>Other Financing Sources (Uses)</b>				
Transfers in	73,329	1,470,315	224	1,543,868
Transfers out	(575,618)	-	(111)	(575,729)
<b>Total other financing sources (Uses)</b>	(502,289)	1,470,315	113	968,139
<b>Net Change in Fund Balances</b>	(654,430)	(1,517,769)	(46,514)	(2,218,713)
<b>Fund Balances at Beginning of Year</b>	1,850,062	5,786,982	92,803	7,729,847
<b>Fund Balances at End of Year</b>	\$ 1,195,632	\$ 4,269,213	\$ 46,289	\$ 5,511,134

**City of Monroe School Board  
Monroe, Louisiana**

**NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet**

**June 30, 2013**

	<b>Special Revenue Funds</b>							
	<b>Special Education</b>	<b>School Food Service</b>	<b>1968 Sales Tax</b>	<b>1994 Sales Tax</b>	<b>Other Federal Programs</b>	<b>State Grants</b>	<b>Local Grants</b>	<b>Total</b>
<b>Assets</b>								
Cash and cash equivalents	\$ -	\$ 668,351	\$ 33,566	\$ 232,693	\$ 11,342	\$ 76,691	\$ -	\$ 1,022,643
Accounts receivable	346,323	71,726	749,904	1,239,754	1,407,798	29,316	-	3,844,821
Inventory	-	72,033	-	-	-	-	-	72,033
Other assets	2,579	29	-	2,050	3,830	-	-	8,488
<b>Total assets</b>	<b>\$ 348,902</b>	<b>\$ 812,139</b>	<b>\$ 783,470</b>	<b>\$ 1,474,497</b>	<b>\$ 1,422,970</b>	<b>\$ 106,007</b>	<b>\$ -</b>	<b>\$ 4,947,985</b>
<b>Liabilities and Fund Equity</b>								
<b>Liabilities</b>								
Accounts payable	\$ 4,122	\$ 18,138	\$ -	\$ 2,814	\$ 20,296	\$ -	\$ -	\$ 45,370
Salaries and wages payable	125,175	230,604	293,140	538,341	386,482	26,144	-	1,599,886
Due to other funds	208,493	-	476,200	397,019	999,191	15,082	-	2,095,985
Other liabilities	11,112	-	-	-	-	-	-	11,112
<b>Total liabilities</b>	<b>348,902</b>	<b>248,742</b>	<b>769,340</b>	<b>938,174</b>	<b>1,405,969</b>	<b>41,226</b>	<b>-</b>	<b>3,752,353</b>
<b>Fund Equity</b>								
<b>Fund balances</b>								
<b>Nonspendable</b>								
Inventory and prepaids	-	72,062	-	-	-	-	-	72,062
<b>Restricted for</b>								
Salaries and related benefits	-	-	14,130	375,426	-	-	-	389,556
Instructional costs	-	-	-	160,897	17,001	64,781	-	242,679
Food services	-	491,335	-	-	-	-	-	491,335
<b>Total fund balances</b>	<b>-</b>	<b>563,397</b>	<b>14,130</b>	<b>536,323</b>	<b>17,001</b>	<b>64,781</b>	<b>-</b>	<b>1,195,632</b>
<b>Total liabilities and fund equity</b>	<b>\$ 348,902</b>	<b>\$ 812,139</b>	<b>\$ 783,470</b>	<b>\$ 1,474,497</b>	<b>\$ 1,422,970</b>	<b>\$ 106,007</b>	<b>\$ -</b>	<b>\$ 4,947,985</b>

City of Monroe School Board  
Monroe, Louisiana

NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances

For the Year Ended June 30, 2013

	Special Revenue Funds							Total
	Special Education	School Food Service	1968 Sales Tax	1994 Sales Tax	Other Federal Programs	State Grants	Local Grants	
<b>Revenues</b>								
<b>Local Sources</b>								
Sales tax collections	\$ -	\$ -	\$ 4,377,638	\$ 7,343,488	\$ -	\$ -	\$ -	\$ 11,721,126
Interest	-	-	1,716	3,962	-	-	-	5,678
School food service payment for meals	-	154,392	-	-	-	-	-	154,392
Other local revenue	-	99	-	-	-	-	45,732	45,831
<b>State Sources</b>								
Restricted grants-in-aid	47,185	-	-	-	67,200	317,440	-	431,825
State - other revenues	-	150,000	-	-	-	-	-	150,000
<b>Federal Sources</b>								
Restricted grants-in-aid	2,152,833	4,619,257	-	-	4,578,377	-	-	11,350,467
Total revenues	2,200,018	4,923,748	4,379,354	7,347,450	4,645,577	317,440	45,732	23,859,319
<b>Expenditures</b>								
<b>Current</b>								
<b>Instructional</b>								
Regular programs	-	-	2,016,402	2,819,354	-	47,715	45,732	4,929,403
Special education programs	572,074	-	924,683	1,085,722	-	-	-	2,582,479
Vocational programs	1,278	-	114,595	131,333	121,287	-	-	368,513
Other instructional programs	52,967	-	346,626	695,594	1,099,526	-	-	2,194,713
Special programs	71,439	-	24,554	21,221	2,321,178	141,499	-	2,579,891
Adult/Continuing education programs	57,817	-	12,410	14,662	68,931	-	-	153,820
<b>Support Services</b>								
Pupil support services	960,876	-	299,639	578,891	14,267	16,292	-	1,869,965
Instructional staff	270,512	-	135,365	244,354	606,775	95,917	-	1,352,923
General administration	-	-	30,982	53,652	-	-	-	84,634
School administration	-	-	237,509	632,494	-	-	-	870,003
Business services	4,243	-	14,914	152,506	-	-	-	171,663
Plant services	540	-	118,278	224,296	-	-	-	343,114
Student transportation services	16,771	-	96,732	116,992	85,793	-	-	316,288
Central services	-	-	52,903	265,021	-	-	-	317,924
Other Support services	-	-	1,019	-	-	500	-	1,519
<b>Noninstructional</b>								
Food service operations	-	5,138,423	108,254	112,026	-	-	-	5,358,703
Capital outlay	-	59,869	-	456,036	-	-	-	515,905
Total expenditures	2,008,517	5,198,292	4,534,865	7,604,374	4,317,757	301,923	45,732	24,011,460
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	191,501	(274,544)	(155,511)	(256,924)	327,820	15,517	-	(152,141)
<b>Other Financing Sources (Uses)</b>								
Transfers in	-	-	-	48,000	25,298	31	-	73,329
Transfers out	(191,501)	-	-	(48,000)	(336,117)	-	-	(575,618)
Total other financing sources (Uses)	(191,501)	-	-	-	(310,819)	31	-	(502,289)
<b>Net Change in Fund Balances</b>	-	(274,544)	(155,511)	(256,924)	17,001	15,548	-	(654,430)
<b>Fund Balances at Beginning of Year</b>	-	837,941	169,641	793,247	-	49,233	-	1,850,062
<b>Fund Balances at End of Year</b>	\$ -	\$ 563,397	\$ 14,130	\$ 536,323	\$ 17,001	\$ 64,781	\$ -	\$ 1,195,632

**DEBT SERVICE FUNDS**

**City of Monroe School Board  
Monroe, Louisiana**

**NONMAJOR DEBT SERVICE FUND  
Balance Sheet**

**June 30, 2013**

	<u>Bond Redemption</u>	<u>2001-2002 Sales Tax Bond Sinking</u>	<u>QZAB 2012 Sinking</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,387,917	\$ 2,309,073	\$ 450,514	\$ 4,147,504
Receivables	20,272	-	-	20,272
Due from other funds	<u>22,296</u>	<u>79,141</u>	<u>          </u>	<u>101,437</u>
<b>Total assets</b>	<b><u>\$ 1,430,485</u></b>	<b><u>\$ 2,388,214</u></b>	<b><u>\$ 450,514</u></b>	<b><u>\$ 4,269,213</u></b>
<b>Liabilities and Fund Equity</b>				
Liabilities	\$ -	\$ -	\$ -	\$ -
<b>Fund Equity</b>				
Fund balance - restricted for debt service	<u>1,430,485</u>	<u>2,388,214</u>	<u>450,514</u>	<u>4,269,213</u>
<b>Total liabilities and fund equity</b>	<b><u>\$ 1,430,485</u></b>	<b><u>\$ 2,388,214</u></b>	<b><u>\$ 450,514</u></b>	<b><u>\$ 4,269,213</u></b>

**City of Monroe School Board  
Monroe, Louisiana**

**NONMAJOR DEBT SERVICE FUNDS  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances**

**For the Year Ended June 30, 2013**

	<b>Bond Redemption Debt Service</b>	<b>2001-2002 Sales Tax Bond Sinking</b>	<b>QZAB 2012 Sinking</b>	<b>Total</b>
<b>Revenues</b>				
<b>Local Sources</b>				
Ad valorem tax	\$ 3,462,062	\$ -	\$ -	\$ 3,462,062
Interest	5,469	6,522	225	12,216
Other local sources	22,296	130,988	-	153,284
<b>Total revenues</b>	<b>3,489,827</b>	<b>137,510</b>	<b>225</b>	<b>3,627,562</b>
<b>Expenditures</b>				
General Administration	102,610	-		102,610
<b>Debt Service</b>				
Principal	4,745,000	1,010,000	-	5,755,000
Interest	432,002	326,034	-	758,036
<b>Total expenditures</b>	<b>5,279,612</b>	<b>1,336,034</b>	<b>-</b>	<b>6,615,646</b>
<b>Excess (deficiency) of revenues over expenditures</b>	(1,789,785)	(1,198,524)	225	(2,988,084)
<b>Other financing sources / uses</b>				
Transfers in	-	1,470,315	-	1,470,315
<b>Total other financing sources</b>	<b>-</b>	<b>1,470,315</b>	<b>-</b>	<b>1,470,315</b>
<b>Net change in fund balances</b>	(1,789,785)	271,791	225	(1,517,769)
<b>Fund balances at beginning of year</b>	<b>3,220,270</b>	<b>2,116,423</b>	<b>450,289</b>	<b>5,786,982</b>
<b>Fund balances at end of year</b>	<b>\$ 1,430,485</b>	<b>\$ 2,388,214</b>	<b>\$ 450,514</b>	<b>\$ 4,269,213</b>

**CAPITAL PROJECTS FUNDS**

**City of Monroe School Board  
Monroe, Louisiana**

**NONMAJOR CAPITAL PROJECTS FUND  
Balance Sheet**

**June 30, 2013**

	<b>QZAB Series 2008</b>	<b>QZAB Series 2009</b>	<b>Capital Projects</b>	<b>QSCB</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 8	\$ 46,281	\$ -	\$ 46,289
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 8</b>	<b>\$ 46,281</b>	<b>\$ -</b>	<b>\$ 46,289</b>
<b>Liabilities and Fund Equity</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fund Equity</b>					
Fund balance - restricted for capital projects	-	8	46,281	-	46,289
<b>Total liabilities and fund equity</b>	<b>\$ -</b>	<b>\$ 8</b>	<b>\$ 46,281</b>	<b>\$ -</b>	<b>\$ 46,289</b>

**City of Monroe School Board  
Monroe, Louisiana**

**NONMAJOR CAPITAL PROJECTS FUND  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances**

**For the Year Ended June 30, 2013**

	QZAB Series 2008	QZAB Series 2009	Capital Projects	QSCB	Total
<b>Revenues</b>					
Local sources					
Interest	\$ -	\$ 21	\$ 65	\$ -	\$ 86
Total revenues	-	21	65	-	86
<b>Expenditures</b>					
Current					
Business services	-	-	-	188	188
Plant services	-	500	2,614	-	3,114
Facility acquisition & construction	-	43,370	41	-	43,411
Total expenditures	-	43,870	2,655	188	46,713
<b>Excess (deficiency) of revenues over expenditures</b>	-	(43,849)	(2,590)	(188)	(46,627)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	12	-	212	224
Transfers out	(24)	(12)	-	(75)	(111)
Total other financing sources (Uses)	(24)	-	-	137	113
<b>Net change in fund balances</b>	(24)	(43,849)	(2,590)	(51)	(46,514)
<b>Fund balances at beginning of year</b>	24	43,857	48,871	51	92,803
<b>Fund balances at end of year</b>	\$ -	\$ 8	\$ 46,281	\$ -	\$ 46,289

### **OTHER SUPPLEMENTARY DATA**

**This section contains information that is presented as additional analytical data.**

**CITY OF MONROE SCHOOL BOARD  
MONROE, LOUISIANA  
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>District</u>	<u>Compensation</u>
Victoria Dayton	1	\$ 9,600
Vickie Krutzer	2	9,600
Mickey Traweek	3	10,300
Clarence Sharp	4	9,600
Rodney McFarland	5	9,600
Verbon Muhammad, Sr.	6	9,300
Glenn Ludley	7	<u>9,600</u>
		<u>\$ 67,600</u>

**SUPPLEMENTARY INFORMATION – GRANT ACTIVITY**

# LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)  
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)  
Francis I. Huffman, CPA  
Phillip A. Ragsdale, CPA  
David Ray Soignier, CPA, MBA, CGMA

John Herman, CPA  
Lynn Andries, CPA, CGMA  
Esther Atteberry, CPA  
Lori Woodard, MBA, CPA, CGMA, CITP

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**City of Monroe School Board  
Monroe, Louisiana**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monroe School Board (the School Board), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements and have issued our report thereon dated December 30, 2013.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the School Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The School Board's internal control. Accordingly, we do not express an opinion on the effectiveness of The School Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 13-01 and 13-02 to be significant deficiencies.

**City of Monroe School Board  
Monroe, Louisiana**

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether The School Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Monroe School Board in a separate letter dated December 30, 2013.

***The School Board's Response to Findings***

The School Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School Board's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, the jurors, others within the entity, federal awarding agencies and pass-through entities, and other entities granting funds to the School Board, and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, under provisions of Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Luffey, Huffman, Royal, & Squire*

(A Professional Accounting Corporation)  
December 30, 2013

# LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)  
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)  
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Lori Woodard, MBA, CPA, CGMA, CITP

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED OMB CIRCULAR A-133

City of Monroe School Board  
Monroe, Louisiana

### *Report on Compliance for Each Major Federal Program*

We have audited City of Monroe School Board's (the School Board) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School Board's major federal programs for the year ended June 30, 2013. The School Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the School Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Board's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, the School Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**City of Monroe School Board  
Monroe, Louisiana**

***Report on Internal Control Over Compliance***

Management of the School Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of management, the jurors, others within the entity, federal awarding agencies and pass-through entities and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, under provisions of Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Luffey, Huffman, Reynolds, & Soriano*

(A Professional Accounting Corporation)  
December 30, 2013

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

Federal Grantor/ Pass-Through Grantor/ Program Title	C.F.D.A. Number	Pass Through Grant Number	Expenditures / Issues
<b>DIRECT PROGRAMS:</b>			
<b>U.S. DEPARTMENT OF DEFENSE</b>			
R.O.T.C.	N/A	N/A	\$ 196,323
Total U.S. Department of Defense			<u>196,323</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Impact Aid	84.041	N/A	87,973
Total U.S. Department of Education			<u>87,973</u>
Total Direct Programs			<u>284,296</u>
<b>PASS THROUGH PROGRAMS:</b>			
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Passed through Louisiana Department of Education			
LA Advanced Placement Test Fee Program	84.330B	28-11-26-65	901
Striving Readers Comprehensive Literacy Program	84.371C	28-12-SN-65	1,174,705
Striving Readers Comprehensive Literacy Program	84.371C	28-12-SO-65	379,777
<b>TITLE I CLUSTER</b>			
Title I Grants to Local Educational Agencies			
Part A - Basic			
Regular Program	84.010A	28-13-T1-65	6,673,529
School Improvement	84.010A	28-11-TA-65	119,214
School Improvement	84.010A	28-12-TA-65	46,276
Total Title I Cluster			<u>6,839,019</u>
<b>SPECIAL EDUCATION CLUSTER</b>			
Special Education-Individuals With Disabilities Education Act IDEA B			
IDEA B			
JAG - Aim High Middle School Pilot Program	84.027A	28-13-B1-65	2,008,100
Preschool	84.173A	28-12-JP-65	67,014
SIM in Support of Literacy	84.027A	28-13-P1-65	52,319
SIM in Support of Literacy	84.027A	28-12-SM-65	25,400
Total Special Education Cluster			<u>2,152,833</u>
Title II - Part A, Teacher and Principal Training and Recruiting			
Regular	84.367A	28-13-50-65	1,017,250
Total Title II			<u>1,017,250</u>
21st Century	84.287C	28-09-7C-65	592,525
21st Century	84.287C	28-10-75-65	668,545
Total 21st Century			<u>1,261,070</u>

(Continued)

**CITY OF MONROE SCHOOL BOARD  
Monroe, Louisiana**

**Schedule of Expenditures of Federal Awards (Concluded)  
For the Year Ended June 30, 2013**

Federal Grantor/ Pass-Through Grantor/ Program Title	C.F.D.A. Number	Pass Through Grant Number	Expenditures / Issues
Vocational Education	84.048A	28-12-02-65	<u>136,223</u>
Total Vocational Education			<u>136,223</u>
<b>Total U.S. Dept. of Education Passed Through LA DOE</b>			<u><b>12,961,778</b></u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through Louisiana Department of Education			
Temporary Assistance for Needy Families (TANF)			
The Cecil J. Picard LA 4 Early Childhood Program	93.558	28-13-36-65	363,524
Jobs for America's Graduates-LA	93.558	28-13-JS-65	<u>49,505</u>
<b>Total U. S. Department of Health and Human Services Passed Through LA DOE</b>			<u><b>413,029</b></u>
<b>U.S. DEPARTMENT OF AGRICULTURE (USDA)</b>			
Passed through Louisiana Department of Education			
<b>CHILD NUTRITION CLUSTER</b>			
School Breakfast Program	10.553	N/A	1,151,042
School Lunch Program	10.555	N/A	2,611,947
School Snack Program	10.555	N/A	67,933
Commodities	10.555	N/A	267,538
Summer Feeding	10.559	N/A	97,854
Fresh Fruit and Vegetable Program	10.582	N/A	<u>422,943</u>
Total Child Nutrition Cluster			<u>4,619,257</u>
<b>Total U.S. Dept. of Agriculture Passed Through LA DOE</b>			<u><b>4,619,257</b></u>
<b>TOTAL PASS THROUGH PROGRAMS</b>			<u><b>17,994,064</b></u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><b>\$ 18,278,360</b></u>

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**

**Notes to the Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2013**

**A. General**

The preceding Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs of the City of Monroe School Board (the School Board). The School Board reporting entity is defined in Note 1 to the School Board's general purpose financial statements. All Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through other government agencies is included on the schedule.

**B. Basis of Accounting**

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the School Board's financial statements.

**C. Relationship to Financial Statements**

The following reconciliation is provided to help the reader of the School Board's financial statements and supplementary information relate such information to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2013:

	<u>Title I Funds</u>	<u>Special Education Funds</u>	<u>Other Federal Programs Funds</u>	<u>School Food Service Funds</u>
Total Expenditures per Financial Statements	\$ 6,237,360	\$ 1,961,332	\$ 4,243,763	\$ 4,619,257
Transfer of Indirect Cost	<u>601,659</u>	<u>191,501</u>	<u>335,515</u>	<u>-</u>
Expenditures per Schedule	<u>\$ 6,839,019</u>	<u>\$ 2,152,833</u>	<u>\$ 4,579,278</u>	<u>\$ 4,619,257</u>

	<u>General Fund Impact Aid</u>	<u>Total</u>
Total Expenditures per Financial Statements	\$ 87,973	\$ 17,149,685
Transfer of Indirect Cost	<u>-</u>	<u>1,128,675</u>
Expenditures per Schedule	<u>\$ 87,973</u>	<u>\$ 18,278,360</u>

Included in the Child Nutrition Cluster is \$267,538 of non-cash awards in the form of commodities provided by the United States Department of Agriculture.

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2013**

**Section 1 – Summary of Auditor’s Results**

*Financial Statements:*

Type of Auditor’s Report Issued: Unqualified

**Internal Control Over Financial Reporting:**

Material weaknesses identified? \_\_\_ Yes  X  No

Significant Deficiencies identified not considered to be material weaknesses?  X  Yes \_\_\_ No

Noncompliance material to financial statements noted? \_\_\_ Yes  X  No

*Federal Awards:*

**Internal Control Over Major Programs:**

Material weakness(es) identified? \_\_\_ Yes  X  No

Significant Deficiencies identified not considered to be material weakness(es)? \_\_\_ Yes  X  No

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? \_\_\_ Yes  X  No

Dollar threshold used to distinguish between Type A and Type B programs \$558,350

Auditee qualified as low-risk auditee? \_\_\_ Yes  X  No

*Identification of Major Programs:*

<u>CFDA #</u>	<u>PROGRAM TITLE</u>
84.027A; 84.173A	Special Education Cluster
84.367A	Title II
84.371C	Striving Readers Comprehensive Literacy Program

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2013**

**Section II – Financial Statement Findings and Questioned Costs:**

**13-01 PAYROLL FUNCTION**

***Finding:***

The School Board uses a “Payroll Change Notice” form for all payroll changes which is to be signed by the person recommending the change, the Human Resources director, the person entering the information into the payroll system and the person agreeing to the change (principal, supervisor or superintendent).

An employee in the Human Resource Department issued herself payments for unused sick leave days without first obtaining proper approval. In addition, the employee entered a salary increase for herself into the payroll without the necessary approval. The only evidence of approval for the salary increase is a salary schedule with the superintendent’s initials on the line of the new pay step. This salary schedule was for certain positions not for this particular employee. The Payroll Change Notice and approval required in the first paragraph was not adhered to.

Apparently some Human Resources employees have the capability of performing certain incompatible duties such as entering payroll data, processing changes to employee payroll data and printing checks or initiating direct deposit transactions without supervisory approval. The employee mentioned above was able to issue payroll checks because her password to the payroll system was not cancelled when she transferred from the payroll department to Human Resources.

Although it appears that the employee was entitled to the pay for unused sick leave, it indicates a lack of proper separation of duty and approval. This lack of separation of duty allows changes to personnel records to be made and payroll checks issued without proper approval.

***Recommendation:***

Management should restrict access and prohibit changes to payroll data without written authorization from the Human Resources department. The “Payroll Change Notice” form should be completed for all changes to employees’ payroll information. In addition, the “Agreed to by” section of the form should be revised to indicate approval by the superintendent. A supervisor independent of the payroll function should review the payroll data entered each pay period and initial the review and approval. The Human Resources department should be responsible for verifying the accuracy and propriety of all changes made to payroll data to include changes to pay rates, salary table payroll deductions and adding new employees.

**CITY OF MONROE SCHOOL BOARD  
Monroe, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2013**

***Management's Corrective Plan:***

Management is aware that employees in the Payroll department perform certain duties that are incompatible to providing a sound system of internal control and realizes that these duties should be restricted to the Human Resources department. Implementing these changes will likely present serious challenges for the school board due to a lack of personnel.

**13-02 SALES TAX DISTRIBUTION**

***Finding:***

The School Board had a special procedures engagement concerning the sales tax funds performed and the report was issued in December, 2012. Based on that report, the School Board formed the Sales Tax Audit Review Committee in order for its members to make a determination and recommendation about the distribution of funds from the 1968 and 1994 sales taxes.

In the School Board's March 12, 2013 meeting the Chief Financial Officer reported to the board that she anticipated that within a few months the committee would make recommendations to the board.

As stated in the minutes of the committee from its March 14, 2013 meeting, the committee determined that all certified personnel, all full time employees assigned to schools, and holding a valid teaching certificate or ancillary certificate and working directly with students would participate in the sales tax distribution; this includes everyone except those whose assignments do not require them to come in contact or work with students on a daily basis. This would exclude all supervisory personnel working at central office, media center, the technology center and the office of Special Education.

The committee recommended that those employees paid through federal grants and other funds should continue to have a proportionate amount paid through those funds and not share in the sales tax distribution. The committee also recommended that any employee identified as excluded from the sales tax collection have that proportionate amount of their pay, paid through other identified funds.

Although the committee formulated these recommendations as stated in its March 14, 2013 minutes, they were not presented to the School Board for action to be taken on the recommendations.

However, in May, 2013, after the distribution of the supplemental payroll from sales tax revenues were computed, nine supervisory personnel who had been paid from the 1968 and 1994 sales tax funds were instead paid from the General Fund and other identified funds. The proportionate share included in their monthly pay since that time has been paid from the General Fund and other identified funds.

**CITY OF MONROE SCHOOL BOARD  
Monroe, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2013**

***Recommendation:***

We recommend no changes in the methodology of distributing sales tax funds be made without the adoption of procedures and express direction of the School Board.

***Management's Correction Plan:***

The district will work toward implementing procedures in accordance with the Sales Tax Audit Review Committee's recommendations.

**Section III – Federal Awards Findings and Questioned Costs:**

None reported.

**CITY OF MONROE SCHOOL BOARD  
Monroe, Louisiana**

**Summary Status of Prior Year Findings**

**For the Year Ended June 30, 2013**

The following is a summary of the status of the prior year management letter comments included in Luffey, Huffman, Ragsdale & Soignier's (APAC) audit report dated December 28, 2012 of the City of Monroe School Board as of and for the year ended June 30, 2012.

*Management Letter Comments:*

**Documentation of Internal Control**

While certain elements of the components of internal control exist and certain aspects of the control activities have been documented, the School Board does not possess written documentation of all components of internal control over School Board operations.

**Status**

The District has many existing procedures in place for effective internal control. The District continues to evaluate the internal control procedures and has developed some written documentation for the control activity component as outlined in the Committee of Sponsoring Organizations of the Treadway Commission Report (COSO). Even though we have been unable to conclude all documentation, we will continue to utilize available resources, such as the COSO framework to improve our documentation of internal control.

**OTHER INFORMATION**

# LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

### CITY OF MONROE SCHOOL BOARD MONROE, LOUISIANA

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the City of Monroe School Board (the School Board) and the Legislative Auditor, State of Louisiana (collectively, the Specified Users), solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of the City of Monroe School Board and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE). This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the Specified Users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules required by state law and are as follows:

#### General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
  - Total General Fund Instructional Expenditures,
  - Total General Fund Equipment Expenditures,
  - Total Local Taxation Revenue,
  - Total Local Earnings on Investment in Real Property,
  - Total State Revenue in Lieu of Taxes,
  - Nonpublic Textbook Revenue, and
  - Nonpublic Transportation Revenue.

**City of Monroe School Board  
Monroe, Louisiana**

**Education Levels of Public School Staff (Schedule 2)**

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to School Board supporting payroll records as of October 1, 2012.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2012 and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's education level was properly classified on the schedule.

**Number and Type of Public Schools (Schedule 3)**

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

**Experience of Public Principals, Assistant Principals and Full-time Classroom Teachers (Schedule 4)**

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2012 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

**Public School Staff Data: Average Salaries (Schedule 5)**

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.
8. We recalculated the average salaries and full-time equivalents reported in the schedule.

**City of Monroe School Board  
Monroe, Louisiana**

*Class Size Characteristics (Schedule 6)*

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1, 2012 roll books for those classes and determined if the class was properly classified on the schedule.

*Louisiana Educational Assessment Program (LEAP) (Schedule 7)*

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School Board.

*Graduation Exit Examination (Schedule 8)*

11. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School Board.

*iLeap Tests (Schedule 9)*

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School Board.

Our twelve procedures enumerated above did not disclose any exceptions.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the City of Monroe School Board, the Louisiana Department of Education, the Louisiana Legislature and Legislative Auditor, State of Louisiana and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Huffman, Huffmann, Reynolds & Siggins*

(A Professional Accounting Corporation)

December 30, 2013

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**

**Schedules Required by State Law (R.S. 24:514 - Performance and Statistical Data)**  
**As of and for the Year Ended June 30, 2013**

**Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources**

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

**Schedule 2 - Education Levels of Public School Staff**

This schedule includes the certificated and uncertificated number and percentage of full-time classroom teachers and the number and percentage of principals and assistant principal's with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 3 - Number and Type of Public Schools**

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 4 - Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers**

This schedule includes the number of years of experience in teaching for assistant principals, principals, and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 5 - Public School Staff Data: Average Salaries**

This schedule includes average classroom teacher's salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Schedule 6 - Class Size Characteristics**

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual School Report (ASR).

**Schedule 7 - Louisiana Educational Assessment Program (LEAP)**

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**

**Schedules Required by State Law (R.S. 24:514 - Performance and Statistical Data)**  
**As of and for the Year Ended June 30, 2013**

**Schedule 8 - Graduation Exit Examination (GEE)**

This schedule represents student performance testing data and includes summary scores by district for grades 10 and 11 in each category tested. Scores are reported as Advanced, Proficient, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

**Schedule 9 --iLEAP Tests**

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, 7 and 9 for each district. The summary score reported is the National Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the entire nation. This schedule includes three years of data.

As of fiscal year 2011, 9<sup>th</sup> graders are not required to take iLeap. These students must now pass 3 end-of-course tests. The Department of Education will be reviewing end-of-course testing and its potential inclusion for assurance purposes in time for fiscal year 2013 assurance submissions.

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**

**General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources  
Fiscal Year Ended June 30, 2013**

**General Fund Instructional and Equipment Expenditures****General Fund Instructional Expenditures:****Teacher and Student Interaction Activities:**

Classroom Teacher Salaries	\$ 19,033,603	
Other Instructional Staff Activities	2,520,751	
Instructional Staff Employee Benefits	11,377,646	
Purchased Professional and Technical Services	4,862	
Instructional Materials and Supplies	251,258	
Instructional Equipment	1,390	
Total Teacher and Student Interaction Activities		\$ 33,189,510
Other Instructional Activities		164,571
Pupil Support Activities	3,489,180	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		3,489,180
Instructional Staff Services	1,896,671	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		1,896,671
School Administration	3,377,661	
Less: Equipment for School Administration	-	
Net School Administration		3,377,661

Total General Fund Instructional Expenditures \$ 42,117,593

Total General Fund Equipment Expenditures \$ 1,915,861

**Certain Local Revenue Sources****Local Taxation Revenue:**

Constitutional Ad Valorem Taxes	\$ 2,443,139
Renewable Ad Valorem Tax	7,096,742
Debt Service Ad Valorem Tax	3,462,063
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	334,262
Result of Court Ordered Settlement (Ad Valorem)	-
Penalties/Interest on Ad Valorem Taxes	-
Taxes Collected Due to Tax Incremental Financing (TIF) (Ad Valorem)	-
Sales Taxes	
Sales and Use Taxes - Gross	26,408,100
Sales/Use Taxes - Court Settlement	-
Penalties/Interest on Sales/Use Taxes	-
Sales/Use Taxes Collected Due to TIF	-
Total Local Taxation Revenue	<u>\$ 39,744,306</u>

**Local Earnings on Investment in Real Property:**

Earnings from 16th Section Property	\$ -
Earnings from Other Real Property	-
Total Local Earnings on Investment in Real Property	<u>\$ -</u>

(Continued)

**MONROE CITY SCHOOL BOARD**  
**Monroe, Louisiana**

**General Fund Instructional and Support Expenditures**  
**and Certain Local Revenue Sources (Concluded)**  
**Fiscal Year Ended June 30, 2012**

<b>State Revenue in Lieu of Taxes:</b>	
Revenue Sharing-Constitutional Tax	\$ 293,555
Revenue Sharing-Other Taxes	-
Revenue Sharing-Excess Portion	-
Other Revenue in Lieu of Taxes	-
<b>Total State Revenue in Lieu of Taxes</b>	<b>\$ 293,555</b>
<b>Nonpublic Transportation Revenue</b>	<b>\$ -</b>
<b>Nonpublic Textbook Revenue</b>	<b>\$ 21,559</b>

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**

**Education Levels of Public School Staff**  
**As of October 1, 2012**

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	1	0.2%	3	0.5%	-	-	-	-
Bachelor's Degree	312	51.6%	5	0.8%	-	-	-	-
Master's Degree	184	30.4%	2	0.3%	5	18.5%	-	-
Master's Degree +30	88	14.5%	-	0.0%	20	74.1%	-	-
Specialist in Education	3	0.5%	-	0.0%	0	0.0%	-	-
Ph.D. or Ed.D.	7	1.2%	-	0.0%	2	7.4%	-	-
Total	595	98%	10	2%	27	100%	-	-

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**

**Number and Type of Public Schools**  
**Fiscal Year Ended June 30, 2013**

<u>Type</u>	<u>Number</u>
Elementary	12
Middle/ Junior High	3
Secondary	3
Combination	<u>1</u>
<b>Total</b>	<b><u><u>19</u></u></b>

**CITY OF MONROE SCHOOL BOARD  
Monroe, Louisiana**

**Experience of Public Principals, Assistant Principals,  
and Full-time Classroom Teachers  
As of October 1, 2012**

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
<b>Assistant Principals</b>	-	-	-	2	0	1	5	8
<b>Principals</b>	-	-	-	1	8	3	7	19
<b>Classroom Teachers</b>	44	44	165	80	77	75	120	605
<b>Total</b>	44	44	165	83	85	79	132	632

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**

**Public School Staff Data: Average Salaries**  
**As of June 30, 2013**

	<b>All Classroom Teachers</b>	<b>Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions</b>
<b>Average Classroom Teachers' Salary Including Extra Compensation</b>	\$54,464	\$54,043
<b>Average Classroom Teachers' Salary Excluding Extra Compensation</b>	\$54,197	\$53,801
<b>Number of Teacher full-time Equivalent (FTEs) used in Computation of Average Salaries</b>	600	582

**Note:** Figures reported include all sources of funding (i.e., federal, state, and local) but exclude stipends and employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers; some teachers may have been flagged as receiving reduced salaries (e.g., extended medical leave); and ROTC teachers usually receive more compensation because of a federal supplement. For these reasons, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes, temporary employees, and any teachers on sabbatical leave during any part of the school year.

**CITY OF MONROE SCHOOL BOARD  
Monroe, Louisiana**

**Class Size Characteristics  
As of October 1, 2012**

School Type	Class Size Range							
	1 - 20		21-26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	46%	825	49%	880	5%	90	0%	0
Elementary Activity Classes	42%	87	53%	108	5%	10	0%	0
Middle/Jr. High	68%	299	26%	116	6%	26	0%	0
Middle/Jr. High Activity Classes	84%	96	10%	11	5%	6	1%	1
High	69%	681	21%	208	9%	92	0%	0
High Activity Classes	75%	95	11%	14	10%	13	3%	4
Combination	100%	27	0%	0	0%	0	0%	0
Combination Activity Classes	100%	3	0%	0	0%	0	0%	0
		2,113		1,337		237		5

**Note:** The Board of Elementary and secondary education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and the maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education classes, band and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**

**Louisiana Educational Assessment Program (LEAP)**  
**Three Fiscal Years Ended June 30, 2013**

District Achievement Level Results	English Language Arts						Mathematics					
	2013		2012		2011		2013		2012		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 4</b>												
Advanced	43	7%	35	6%	48	7%	36	6%	86	14%	75	11%
Mastery	175	27%	141	22%	158	24%	135	21%	120	19%	141	22%
Basic	291	45%	323	52%	308	47%	270	42%	279	44%	282	43%
Approaching Basic	92	14%	91	15%	102	16%	102	16%	90	14%	103	16%
Unsatisfactory	42	7%	37	6%	37	6%	100	16%	52	8%	52	8%
<b>Total</b>	<b>643</b>		<b>627</b>		<b>653</b>		<b>643</b>		<b>627</b>		<b>653</b>	

District Achievement Level Results	Science						Social Studies					
	2013		2012		2011		2013		2012		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 4</b>												
Advanced	21	3%	45	7%	18	3%	22	3%	34	5%	51	8%
Mastery	116	18%	136	22%	111	17%	98	15%	112	18%	105	16%
Basic	295	46%	297	47%	337	51%	329	51%	342	54%	330	50%
Approaching Basic	153	24%	122	19%	147	22%	124	19%	98	16%	113	17%
Unsatisfactory	58	9%	28	4%	42	6%	70	11%	42	7%	56	9%
<b>Total</b>	<b>643</b>		<b>628</b>		<b>655</b>		<b>643</b>		<b>628</b>		<b>655</b>	

(continued)

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**

**Louisiana Educational Assessment Program (LEAP)**  
**Three Fiscal Years Ended June 30, 2013**

District Achievement Level Results	English Language Arts						Mathematics					
	2013		2012		2011		2013		2012		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 8</b>												
Advanced	11	2%	13	2%	16	3%	10	2%	11	2%	17	3%
Mastery	58	11%	73	14%	68	14%	18	3%	18	3%	15	3%
Basic	209	39%	196	37%	171	35%	214	40%	248	47%	197	39%
Approaching Basic	181	34%	193	37%	193	39%	166	31%	158	30%	147	29%
Unsatisfactory	76	14%	52	10%	42	9%	128	24%	92	17%	130	26%
Total	535		527		490		536		527		506	

District Achievement Level Results	Science						Social Studies					
	2013		2012		2011		2013		2012		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 8</b>												
Advanced	3	1%	13	2%	5	1%	4	1%	6	1%	6	1%
Mastery	58	11%	83	16%	65	13%	49	9%	72	14%	57	11%
Basic	191	36%	165	32%	140	28%	223	41%	240	46%	177	35%
Approaching Basic	189	35%	188	36%	146	29%	149	28%	130	25%	152	30%
Unsatisfactory	96	18%	73	14%	148	29%	113	21%	74	14%	110	22%
Total	537		522		504		538		522		502	

(concluded)

**CITY OF MONROE SCHOOL BOARD**  
**Monroe, Louisiana**

**Graduation Exit Exam (GEE)**  
**Three Fiscal Years Ended June 30, 2013**

District Achievement Level Results	English Language Arts						Mathematics					
	2013		2012		2011		2013		2012		2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 10</b>												
Advanced					4	1%					38	7%
Mastery					53	11%					76	15%
Basic					219	44%					235	45%
Approaching Basic					143	29%					73	14%
Unsatisfactory					82	16%					95	18%
<b>Total</b>					<b>501</b>						<b>517</b>	

District Achievement Level Results	Science						Social Studies					
	2013		2012		2011		2013		2012		2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 11</b>												
Advanced			20	5%	10	2%			11	3%	3	1%
Mastery			72	17%	35	8%			43	10%	26	6%
Basic			154	36%	161	38%			219	51%	207	49%
Approaching Basic			115	27%	116	28%			92	21%	101	24%
Unsatisfactory			71	16%	98	23%			67	16%	83	20%
<b>Total</b>			<b>432</b>		<b>420</b>				<b>432</b>		<b>420</b>	

Only "Initial Testers" are reported on this schedule. Students entering the 9th grade in 2009-2010 were the last GEE Cohort. GEE has been discontinued as of 2013, therefore no new additional scores will be available.

**CITY OF MONROE SCHOOL BOARD**  
Monroe, Louisiana

**ILEAP Tests**  
Three Fiscal Years Ended June 30, 2013

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 3</b>								
Advanced	36	5%	56	8%	38	5%	29	4%
Mastery	167	24%	128	18%	118	17%	132	19%
Basic	318	45%	298	42%	325	46%	310	44%
Approaching Basic	112	16%	119	17%	162	23%	135	19%
Unsatisfactory	72	10%	104	15%	61	9%	98	14%
Total	705		705		704		704	

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 5</b>								
Advanced	27	4%	59	10%	21	3%	48	8%
Mastery	110	18%	73	12%	105	17%	98	16%
Basic	286	47%	290	47%	279	46%	261	43%
Approaching Basic	129	21%	98	16%	166	27%	129	21%
Unsatisfactory	60	10%	92	15%	41	7%	76	12%
Total	612		612		612		612	

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 6</b>								
Advanced	10	2%	31	6%	5	1%	19	3%
Mastery	74	13%	48	9%	58	10%	52	9%
Basic	288	52%	263	47%	271	49%	251	45%
Approaching Basic	135	24%	116	21%	175	31%	146	26%
Unsatisfactory	52	9%	104	19%	49	9%	90	16%
Total	559		562		558		558	

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 7</b>								
Advanced	23	4%	16	3%	10	2%	13	3%
Mastery	69	13%	42	8%	72	14%	64	12%
Basic	243	47%	262	51%	219	42%	217	42%
Approaching Basic	129	25%	123	24%	151	29%	121	23%
Unsatisfactory	55	11%	75	14%	65	13%	102	20%
Total	519		518		517		517	

(Continued)

**CITY OF MONROE SCHOOL BOARD**  
Monroe, Louisiana

**iLEAP Tests**  
Three Fiscal Years Ended June 30, 2013

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 3</b>								
Advanced	47	7%	58	9%	49	7%	13	2%
Mastery	170	25%	136	20%	161	24%	192	28%
Basic	290	43%	313	46%	294	43%	276	41%
Approaching Basic	123	18%	106	16%	138	20%	126	19%
Unsatisfactory	51	7%	69	10%	39	6%	74	11%
<b>Total</b>	<b>681</b>		<b>682</b>		<b>681</b>		<b>681</b>	

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 5</b>								
Advanced	22	4%	49	8%	25	4%	21	4%
Mastery	105	18%	75	13%	105	18%	102	17%
Basic	278	47%	302	51%	268	45%	264	45%
Approaching Basic	119	20%	80	14%	147	25%	127	22%
Unsatisfactory	66	11%	84	14%	45	8%	76	13%
<b>Total</b>	<b>590</b>		<b>590</b>		<b>590</b>		<b>590</b>	

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 6</b>								
Advanced	22	4%	42	8%	14	3%	52	9%
Mastery	96	17%	55	10%	83	15%	55	10%
Basic	260	47%	263	48%	248	45%	213	39%
Approaching Basic	128	23%	94	17%	146	27%	145	26%
Unsatisfactory	43	8%	95	17%	57	10%	83	15%
<b>Total</b>	<b>549</b>		<b>549</b>		<b>548</b>		<b>548</b>	

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 7</b>								
Advanced	20	4%	18	3%	10	2%	14	3%
Mastery	66	13%	54	10%	70	13%	54	10%
Basic	233	44%	241	46%	200	38%	199	38%
Approaching Basic	147	28%	139	26%	182	35%	164	31%
Unsatisfactory	62	12%	75	14%	65	12%	96	18%
<b>Total</b>	<b>528</b>		<b>527</b>		<b>527</b>		<b>527</b>	

(Continued)

**CITY OF MONROE SCHOOL BOARD**  
Monroe, Louisiana

**iLEAP Tests (Concluded)**  
Three Fiscal Years Ended June 30, 2013

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2013		2013		2013		2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 3</b>								
Advanced	21	3%	33	5%	33	5%	19	3%
Mastery	120	17%	140	20%	138	20%	104	15%
Basic	342	49%	310	45%	314	45%	318	46%
Approaching Basic	136	20%	133	19%	153	22%	141	20%
Unsatisfactory	73	11%	76	11%	54	8%	110	16%
<b>Total</b>	<b>692</b>		<b>692</b>		<b>692</b>		<b>692</b>	

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2013		2013		2013		2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 5</b>								
Advanced	19	3%	20	4%	11	2%	15	3%
Mastery	112	20%	82	15%	83	15%	49	9%
Basic	274	50%	294	54%	270	49%	273	50%
Approaching Basic	92	17%	96	17%	147	27%	123	22%
Unsatisfactory	52	9%	57	10%	38	7%	88	16%
<b>Total</b>	<b>549</b>		<b>549</b>		<b>549</b>		<b>548</b>	

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2013		2013		2013		2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 6</b>								
Advanced	13	2%	19	3%	14	3%	32	6%
Mastery	65	12%	52	9%	91	17%	54	10%
Basic	286	52%	273	50%	236	43%	221	40%
Approaching Basic	126	23%	98	18%	150	27%	139	25%
Unsatisfactory	58	11%	106	19%	56	10%	101	18%
<b>Total</b>	<b>548</b>		<b>548</b>		<b>547</b>		<b>547</b>	

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2013		2013		2013		2013	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 7</b>								
Advanced	32	6%	18	3%	10	2%	7	1%
Mastery	76	14%	69	12%	78	14%	82	15%
Basic	228	41%	271	48%	193	34%	243	43%
Approaching Basic	178	32%	116	21%	185	33%	124	22%
Unsatisfactory	48	9%	88	16%	94	17%	103	18%
<b>Total</b>	<b>562</b>		<b>562</b>		<b>560</b>		<b>559</b>	

(Concluded)

# LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)  
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)  
Francis I. Huffman, CPA  
Philip A. Ragsdale, CPA  
David Ray Soignier, CPA, MBA, CGMA

John Herman, CPA  
Lynn Andries, CPA, CGMA  
Esther Atteberry, CPA  
Lori Woodard, MBA, CPA, CGMA, CITP

## MANAGEMENT LETTER

### City of Monroe School Board Monroe, Louisiana

In planning and performing our audit of the financial statements of the City of Monroe School Board (the School Board) for the year ended June 30, 2013, we considered its internal control structure in order to determine our auditing procedures for purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control structure or overall compliance with laws and regulations.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and the overall environment for compliance with laws and regulations. This letter will summarize our comments and suggestions regarding those matters. This letter does not affect our report dated December 30, 2013 on the financial statements of the School Board.

### Documentation of Internal Control

Management of the School Board is charged with establishing and maintaining internal control and to assess internal control for effectiveness in design and operation. Those components are outlined in the Committee of Sponsoring Organizations of the Treadway Commission Report (commonly referred to as the COSO Report, or COSO) and consist of the Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. While certain elements of the components of internal control exist and certain aspects of the control activities have been documented, the School Board does not possess written documentation of all components of internal control over School Board operations.

For management and those charged with governance to properly discharge their responsibility to establish and maintain internal control, there must exist a level of documentation of internal control sufficient to allow them to assess operating effectiveness and design, not just at a point in time, but over a period of time. As circumstances change, controls should be re-evaluated for ongoing effectiveness.

### *Management's Response:*

The District has many existing procedures in place that provide for effective internal control. The district has evaluated the internal control procedures and has developed written documentation for the control activity component as outlined in the Committee of Sponsoring

Organizations of the Treadway Commission Report (COSO). We are also developing documentation for the Control Environment, Risk Assessment, Information and Communication, and Monitoring which are the other components of COSO. Likewise, the District has utilized many available resources, such as the COSO framework.

**School Activity Account Audits**

The School Board conducts school activity funds audits whenever there is a change in principal or when there are concerns about a certain school. Routine audits are performed on a rotating basis when time and staff allow. We were informed that the School Board tries to conduct at least three or four audits each year. For the year ended June 30, 2013 only two school account audits were performed.

With nineteen schools, this method of performing audits would take several years to cover all the schools in the system. Given the number of transactions recorded in most schools' accounts and the relative lack of control of activity funds by the school board, auditing the school activity funds more frequently would help strengthen the internal controls over school activity funds.

The School Board should make a concerted effort to audit more schools' activity accounts each year so that every school is audited at least every three years.

***Management's Response:***

The School Board will set a goal to conduct a minimum of 6 audits each year of the schools' activity accounts.

*Juffay, Huffman, Royal, & Squires*

**(A Professional Accounting Corporation)**

**December 30, 2013**